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B. A. Hanssen

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AMERICAN RETAIL TRADE

Buyers demands on suppliers of seafood

BY

BERIT A. HANSSEN

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ABSTRACT

This report discusses the American retail trade, and focuses especially on the demands placed on suppliers of seafood products by the purchasing arm of the trade. The report documents the results from a primary study where the purchasing managers in a selection of supermarket chains were interviewed. The data were collected in the period October - December 1988. The objective of the study is to elucidate the demands and evaluation criteria of the buyers in order to better be able to adjust Norwegian supplies of seafood to existing demands and wishes.

3 KEY WORDS
American Seafood Retail Trade
Purchasing
Demand Specifications

FOREWORD

One third of the seafood trade in the United States goes through the retail sector. For other foods the share is two thirds. Many have the opinion that seafood is a growth potential through this distribution channel, but that it requires a rearrangement in production and supplier conditions. The strategic and structural changes occurring today within the retail sector, combined with heavy competition and greater risks in the distribution system, makes it important to have updated and reliable information and a good understanding of the system.

The objective of this study is to analyze the American retail trade. Special emphasis is placed on elucidating and justifying the demands the purchasing sector places on the suppliers of seafood products. The purchasing function comprises an increasingly important part of the business strategy of the retail trade, and it is these decision makers Norwegian exporters will have most contact with if they wish to market their products through the retail chain.

The report is part of our work in association with the program area "Forum USA". The program is financed by the Norwegian Fisheries Research Council (NFFR). We have earlier prepared a report on structure and strategy in American retail trade (Hanssen, 1988). A continuation of the work with distribution conditions for seafood in USA will be done through an analysis of the restaurant sector. In addition to give the fishing industry and exporters basic information on USA, this study has discussed specific supermarket chains that under certain conditions could be possible buyers of Norwegian seafood in addition to the product variants that are already being marketed.

Data collection, processing and reporting has been done by researcher Berit A. Hanssen. Senior researcher Svein Ottar Olsen has been responsible for the project and has supplied professional advice and guidance. We wish to thank all those that

have contributed to making this report possible. Special thanks are extended to the offices of the Norwegian Export Council in New York and San Francisco, and to the companies Norway Foods/King Oscar, Frionor and Nordic group that helped us with their contacts during our stay in the United States.

Tromsö, April 1989

Svein Ottar Olsen
Project leader

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SUMMARY

Object

The object of the present work is to analyse US retail trade with special reference to what kind of demands the purchasing sector in the retail trade put on the suppliers of fish and fish products. Norwegian producers and exporters who wish to supply or maintain their position in the retail trade need to be given correct information about the behaviour of the seafood buyers, their thoughts and criteria for evaluation in their choice of suppliers of seafood. This kind of information is a condition for product and market adaption and efficient marketing strategies. Having acquired an understanding of the buyers' preferences and demands towards their suppliers, the exporters are able to adapt to these requirements more successfully, and; consequently, their negotiating power when dealing with the buyers is increased.

Implementation and Method

The present study of the US retail trade focusses on the requirements from the purchasing managers in the seafood sector regarding suppliers, delivery, products, marketing support and service. The data were collected during a stay in the USA in the autumn of 1988 (October-December). The report presents the results of the primary examination of the purchasing sector in US retail trade, as well as some impressions from interviews with key informants within the distribution of seafood on the US market (importers, wholesalers, traders, distributors, Norwegian companies with businesses in the USA, trade organisations, public offices, etc.). In addition, secondary data have been collected concerning the selected retailers and the retail trade in general from annual reports, articles in trade journals, reports from trade organisations, public statistics, etc. In short, the data basis consists of a combination of primary and secondary data.

As a trade specific frame of reference, we have chosen various theoretical approaches to distribution: choice of distribution channels/distributors, purchasing/ choice of supplier and, finally, the criteria for evaluation concerning the combination of product and service. We have classified the requirements/preferences the buyers place on the suppliers as demands to:

- correct quality
- correct quantity
- delivery at the agreed time
- correct price on supplies, and
- service and channel support.

Representativeness

The retail businesses which have been interviewed constitute enterprises which claim to have an interest in Norwegian exporters to the seafood sector. The qualitative research project which has been carried out, containing interviews of a selection of retail enterprises, is a relatively thorough study of sole agents in the US retail market. Thus, the results are not representative of the market as a whole. The retail enterprises were not picked out at random, they are companies which have expressed an interest in Norwegian exporters to the seafood sector. We have not put emphasis on making a selection which reflects the total market, and; consequently, our results may not be completely representative.

Results

As far as the quality of seafood products is concerned, the following product characteristics are primarily in focus: freshness, taste and smell. Artificial colouring of the fish meat in farmed salmon as well as the presence of chemical additives in seafood in general are considered negative characteristics of the products. How long the product will keep fresh when stored in refrigerated counters after delivery, packaging, appearance (visual quality), temperature control in production and

distribution are other aspects of quality which are claimed to be essential. Equally important is consistency in the quality of the supplies.

Correct quantity implies that the weight of the delivered products shows close agreement with the ordered quantity. This involves the estimation of a certain overweight on part of the suppliers to make up for the loss of weight in the distribution (loss of moisture/fluid, waste due to bad quality, etc.). The ability to deliver the ordered goods at the agreed time is valued highly by the seafood retailers. This is particularily important because campaigns for current products are planned and launched at specified times.

The price of the product is another important motivating factor in the marketing of seafood products in the retail trade. Substitution is used extensively in the fresh fish trade, it means that the purchasers stock similar species at times when the supply of traditional species is low (out of season). The wish to obtain the lowest price possible combined with the use of substitution gives the purchasers relatively strong negotiating power when dealing with the suppliers. A factor which is further strenghtened by the entry on the market of cheap products from exporting countries other than the traditional ones. The supplier and the retailer side share the total value generated through the sales of seafood in the market. This fact represents a danger of conflict in connection with distribution, demands for higher margins, and, subsequently, it will lead to prices being strained.

The retailers require that the suppliers participate in their marketing strategies and promotion activities. Most of the retailer chains claimed that the suppliers must take part in special offers campaigns, and that the prices of their products must be lowered during the campain period. Financial support to the marketing of fish products is generally realised as a reduction in the prices from the supplier, and to a less extent as subsidies to the retailer (this applies to the sales of fresh and frozen, unbranded seafood products).

The evaluation of the supplier is carried out as a continuous process in the super market chains. In this process the suppliers are assessed according to their ability to meet with the demands and the preferences of the consumers. The informal relations the buyers have established with the suppliers (based on reliability and

trust, etc.) are of vital importance. The buyers have an efficient means of sanction to initiate against a supplier they are not satisfied with; the situation of having this person as their supplier can be brought to an end.

The sales function in the retail trade is steadily gaining a more important position strategically in the enterprises. Today the purchasers are considerably better educated than before, they receive higher payments than earlier and have greater responsibilities regarding earning power and loss. The suppliers who want to trade with these purchasers meet well-informed persons with analytic abilities and a good understanding of supply and demand and other relations in the market which are of importance for current products. A logical result is that the purchasers as they aquire more knowledge about the cost and earning factors of each product, become more profit-oriented. Consequently, the suppliers have to respond to the new profile of the buyers and make their own sales profile match it. This implies that the middlemen in the distribution chain for the products of the producers will have to receive a payment which to a greater extent is based on the earning power of the products, rather than get a flat commission on the sales of the products.

Incentives from Norwegian Exporters

Norwegian suppliers wishing to take part in the market or increase the sales of their own products through US retail trade, should try to satisfy the demands of the purchasing channel as far as possible. This can be accomplished if products/ product specialities, quality, quantity of delivery, and time of delivery, as well as service functions and channel support are adapted in accordance with the expressed demands of the retailers. Successful adaption to one or more of these requirements can be obtained through various forms of cooperation between Norwegian agents within the production and sales of seafood products. One should aim at establishing long-term relations with the purchasing sector in addition to delivery programs for longer periods at a time.

It is necessary for the Norwegian suppliers to aquire a good knowledge of and relevant information about all essential conditions in the US grocery market. Analyses need to be made of different alternatives regarding the distribution of the products in the market. Market influence and channel support activities must be directed against or be visible to important decision-makers in the distribution channel, in this case, it is vital to direct the attention to the purchasers of seafood. It is also important to train the sales personnel in the retail trade, and, last, but not least, to make the consumers interested in Norwegian products and increase the knowledge about these products (treatment, preparation, etc.) in general.

If Norwegian suppliers decide to concentrate intensively on entering the market or on increasing the sales of Norwegian seafood products in the US retail trade, they have to consider which geographical areas they want to focus on and what types of chain profile the initiatives are going to be directed against. Norwegian seafood products should as far as possible be reputed in the US market for their good quality. Therefore, it may be wise to obtain a footing in the so-called "upscale supermarkets" or top quality shops which favour quality to price. Shops of this kind are usually situated in relatively wealthy suburbs or in the downtowns of big cities.

Other factors to recognise in this connection are the experiences of the shops regarding the sales of seafood and their expressed views about quality and price in addition to their attitudes to fixed arrangements with the suppliers (fixed delivery programs, wish for contracts/agreements, etc.). A last point of importance before deciding which area in the retail trade to concentrate on is the evaluation of the competitive situation in certain geographical regions and in certain segments of the retail trade.

1. INTRODUCTION

1.1 BACKGROUND AND OBJECTIVES

The objective of this work is to analyze the American retail trade with emphasis on the demands the purchasing sector places on suppliers of fish and seafood products. The purchasing sector in the retail trade is developing to become a strategically very important position in the companies. The buyers are today considerably better educated than before, and they have a very good knowledge of conditions in the market for seafood (suppliers, supply- and demand conditions etc.). For Norwegian processors and exporters that wish to supply, or wish to maintain their position to the retail trade, it is of central importance that they have access to correct information to, and a good understanding of, the seafood buyer's behavior, thinking and evaluation criteria when choosing a supplier. Such information is a condition for product and market adaptation and effective market cultivation. An understanding of the buyer's requirements and demands on their suppliers means that the exporters can better adapt to these wishes and thereby increase their negotiating power in their relationships with the buyers.

One third of seafood sales in USA is channelled through the retail sector. For other food products the share is two thirds which indicates that seafood has a growth potential through this distribution channel. Fresh fish is very perishable, and the trade in fresh fish products therefore involves risk. The supply of fresh seafood products is characterized by seasonal variations which again means risks also on the supply side. Expansion and development in aquaculture has, however, resulted in steadier supplies of farmed fish and shellfish. this includes salmon from Norway.

Advantages can be achieved in the retail sector by protecting and profiling products with the help of quality, labelling, packaging and consumer influencing. The trade in

seafood is characterized by relatively high margins compared to a number of other food products. A desire for increased sales and earnings has resulted in several processors and suppliers of seafood indicating that they would like to have their product enter at the retail trade level. Few Norwegian companies are today direct suppliers of seafood to American supermarket chains. Norway Foods (sardines, sprats) and Frionor (frozen, processed fish and shellfish products) belong to the exceptions. (p.2) Norwegian farmed salmon (chiefly fresh, frozen and smoked) is in addition sold in the seafood counters in American supermarkets.

On the basis of wishes from Norwegian seafood exporters on more information on knowledge of the retail sector in USA, FTFI has carried out a study of structural characteristics, internal resources, marketing strategies and changes within the supermarket segment in USA. The study further illustrates trends in the American retail trade, purchasing and consumption patterns (Hanssen, 1988). The work dealing with the American retail trade has been carried further in a primary study with emphasis on the demands purchasing management place on suppliers, deliveries, products, marketing support and service. This report documents the results from the primary study of the purchasing sector in the American retail trade, in addition to some impressions from interviews with distributor companies in USA. The report is part of the research program "Forum USA" which was established to increase the value and strengthen the perception of quality of Norwegian seafood products in the American seafood market. Defining quality and origin is designed to lay the groundwork for increased sales of Norwegian fish and shellfish products in this market.

1.2 IMPLEMENTATION

The data collection for this study was carried out during a stay in the United States in the fall of 1988 (October-December). The study plan is a field study with case studies of American retail companies , and also a company with both retail, wholesale and distributor status. The data base is chiefly built up from primary data from interviews with purchasing managers for seafood in the American retail trade and interviews with other key informants in the American seafood market (importers, wholesalers, traders, distributors, Norwegian companies with activities in the USA, trade organizations, public offices and others). Secondary data on the retail companies selected and on retail trade in general have in addition been collected through annual reports, articles in trade- and professional periodicals, studies from trade organizations, government statistics etc. Therefore, the data base is based on primary data and secondary data in combination.

The group of retail companies that has been the (p.3) subject of interviews is composed of companies that have indicated that they have an interest in Norwegian export measures in the seafood sector. These were written some time before the time of the interview and later called for confirmation. The exact time for the interviews was agreed to by telephone. The interview form used was unstructured personal interviews. In an unstructured interview the respondent is faced with a systematic presentation of the qustions, and the reply alternatives are open. The questions were asked directly, and the interview objects formulated the answers themselves (Hellevik, 1977). The advantage of this interview form is that the answers are as spontaneous and unaffected as possible, and there is no risk that the respondent chooses a reply alternative by accident or is forced into a certain form when the answers are to be given. In other words, there is room for nuance differences in the positions taken. The disadvantage of this method of data

collection is that the data processing is made more difficult due to differences in nuances in the stands of the interview object.

The qualitative study plan implemented here with interviews of selected retail companies, is a relatively in depth study of individual participants in the American retail market. The results should therefore not be accepted as representative for the whole market. The selection of retail companies was not randomly picked , but is composed of companies that have been said to have an interest for Norwegian export measures in the seafood sector. It has not been emphasized that the selection should be representative, and systematic bias could be present.

1.3 ORGANIZATION OF THE REPORT

Distribution, purchase and choice of suppliers is documented in the literature and is here used as technical reference basis. With basis in available theory on this subjects, a survey of theoretical approaches to the subjects mentioned is given in Section 2. The trade literature gives in addition a good general insight in aspects of the distribution of fish products, purchasing of seafood and choice of suppliers based on the distinctive features of the industry.

Section 3 gives a simple description of the distinctive features of the American seafood market (consumption of seafood, marketing conditions, prices) and presents participants that operate in this market.

The companies that were subject to interviews in the (p.4) primary study are presented in Section 4. The description includes a short presentation of the marketing area the chains operate in and their market share, the size of the companies, location, activity areas, product spectrum, customer groups, marketing activities and campaigns for increased sales of seafood etc. Distribution of responsibility in connection with purchases

of seafood is studied, and we will furthermore look at routines in connection with purchases and distribution of seafood, which countries are the major suppliers, purchasing policies etc.

In recent years the development has been towards greater power to the retail sector, and there is a clear tendency for producers having to orient themselves towards markets and the demands of the retailers to get their products through the distribution chains (see also Hanssen, 1988). The processors change their strategies and make structural changes to meet challenges and competition in the food markets and to satisfy demands from consumers and strong distributors. For Norwegian exporters that that wish to enter or maintain their positions in the retail segment in USA, the demand for correct information on, and understanding of the behavior of organizations and consumers is of great importance.

In Section 5 we give a description of the factual demands the purchasing sector of the retail trade place on their suppliers of seafood. These are demands on product quality, price, timing of delivery, correct quantity, demands for service and channeling support etc.

Section 6 deals with measures for the sale of Norwegian seafood products especially in the American retail trade. We discuss what Norwegian suppliers can do to meet demnds from the buyers, and look at alternate strategies for increased Norwegian sales through American retail trade. We will also attempt to give a recommendation on which of the American supermarket chains it can be of current interest to sell to and to further justify this recommendation.

Finally we will have some concluding comments in Section 7 with ideas for further studies of the distribution of Norwegian fish and seafood products in the US market.

2. TECHNICAL SCOPE

This section deals with the various technical approaches to distribution, choice of distribution channels and distributors, purchasing and choice of suppliers and finally evaluation criteria in product- and service composition. The presentation has as objective to make the reader familiar with the above mentioned topics, since knowledge of these is important in order to be able to address the main objective of the work: Distribution of seafood in the American retail market with emphasis on the demands to deliveries of fish and seafood products by the purchasing management.

2.1 DISTRIBUTION

Distribution means measures that participants (processors and middlemen in the production chain) implement to be able to bring a product from the producer to the end user. In the food product market the distribution of products is to a large extent being conducted by *many middlemen* in a distribution channel. The processors and/or exporters usually sell to importers or central wholesalers that in the next round resell to regional wholesalers. From here the products are sold to retailers before reaching the end users. The road has traditionally been long from the processor to retail chains that sell to the end user. For a single producer of food products it is very resource demanding to be responsible for the distribution through to the retail level on his own. The processors are to a large degree compelled to attempt to sell to established distributors due to costs and competitive pressures. It is therefore relatively difficult to get any support for special wishes and demands with respect to distribution.

2.2 CHOICE OF DISTRIBUTION CHANNEL

In selling a product into the market the company must decide if it is to sell into the market on a direct basis or indirectly to final consumer via distribution channels where distributors, wholesalers, brokers, agents etc. are the intermediaries. A strategy that combines direct and indirect sales can lead to conflict since the intermediaries in the distribution (p.6) channel can perceive their supplier (producer/exporter) as one of their largest competitors (Magrath and Hardy, 1987a).

The general criteria, *efficiency, effectiveness and adaptability over time*, can be used as specific measures of competence and skill in the distribution channel (Magrath and Hardy, op. cit.). Efficiency can be defined as an internal standard for performance (it tells us how good the execution is; output per unit input) (Pfeffer and Salancik, 1978). The efficiency in a distribution channel is a function of costs and capacity (to process demands from final users) in the channel. Effectiveness can be defined as an external standard used to determine if the correct choice was made (right product/right marketing mix/distribution channel). A measure of effectiveness in the distribution channel is the ability to cover and cultivate the target groups in a way that is satisfactory to the processor and/or exporter. Competence in participants in the distribution channel and control over the product image (that the processor maintains a certain control over product image) also goes in as elements in measuring the effectiveness in the distribution channel (Magrath and Hardy, op. cit.).

The adaptability over time of the distribution channel is a multidimensional concept that describes the ability of the channel to learn new things and solve new problems (flexibility). It is an assumption that the financial and organizational vitality of the channel is maintained. In the distribution channel the ability to adapt over time with respect to new products that the processor might introduce into the channel is

very important. The figure below shows considerations that must be taken when different distribution channels are to be evaluated (Magrath and Hardy, op.cit.).

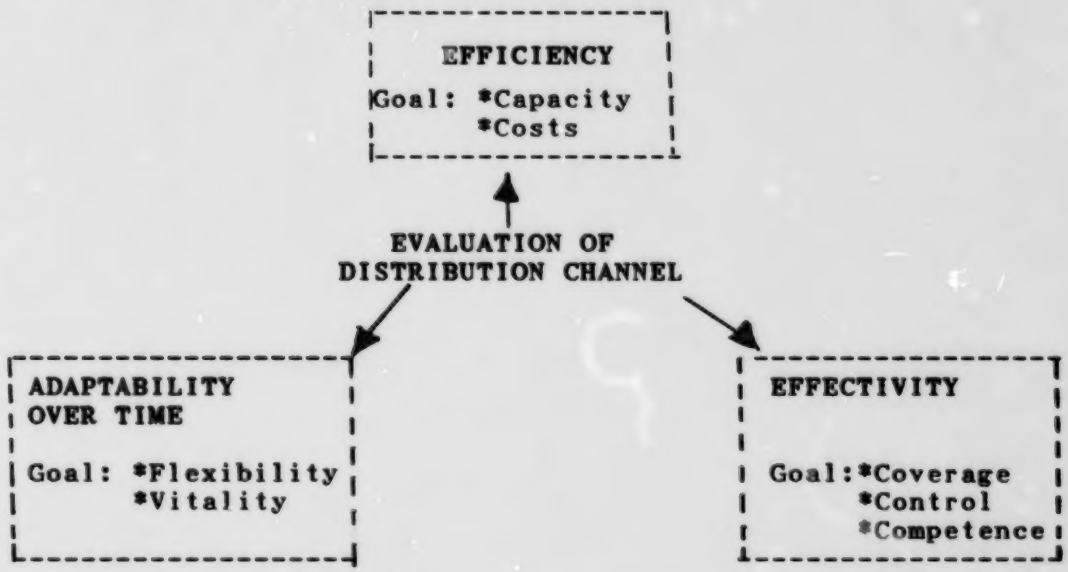

Figure 2.1. Considerations to be taken in evaluating different distribution channels (Source: Magrath and Hardy,1987a)

2.2.1 CHOICE OF DISTRIBUTOR

When a processor company has taken the decision on which products it shall produce, the choice of distribution channel is the next decision. The choice of a distributor is one step in the cultivation of a new export market. A good distributor must satisfy the demands for a well developed distribution system and a market adapted product spectrum. It is important for Norwegian exporting companies to find distributors with competence adjusted to the market, nearness to the customers and a good reputation in the market (known to give good service). Such information can be

gathered from sources such as trade organizations, customers in the market or from other distributors in closely related market segments.

The entering into distribution agreements is the next step in the process. Here it important clarify the distribution of responsibility between supplier and distributor. It is furthermore important to clarify which part of the market the distributor is to work in and how the costs associated with campaigns, service and training is to be distributed (p.8) between supplier and distributor (Linde, 1988).

A number of factors are central when Norwegian exporting companies shall choose representatives or buyers for the products in the market. Several properties of the product are also decisive for which distribution form the producer should aim at. Distribution of fresh and frozen products means differences in risk and product handling underway to the final consumer. Distribution of private labels is different from the distribution of commodities and bulk products with respect to possibility of identification, communication and protection of the product in the market. There are also differences between the distribution of products that can be delivered on a continuous basis versus products that are delivered seasonally. This must also be taken into consideration when the processor chooses a distributor in the market. Examples of general assessments that must be done in the choice of distributor are according to Solberg(1979):

* Geographic coverage
* Sector coverage
* Customer contact-which customers and how good contact?
* Market organization
    - -Sales force (number and skill)
    - -Other product spectra-competing or complementing
    - -Storage (warehouse) and distribution-localization and capacity
    - -Service network and staff

* General knowledge of the market
* Economic strength
* Profile in market

2.2.2 DISTRIBUTION STRATEGIES IN DIFFERENT PHASES OF THE LIFE CYCLE OF THE PRODUCT

The lifetime or life cycle of a product from the time it is introduced until it is taken off the market, can for most products be divided into four phases. These phases are often referred to as the product's introduction phase, growth phase, saturation phase and declining phase (Kotler, 1984; Blom, Framnes and Thjömöe, 1985). The introduction phase is characterized by low growth in sales, high consumption of economic resources in connection with investments and great efforts in the market and low or negative profits. The growth phase is characterized by strong growth in demand for the product and increased profits. In the saturation phase there is first a slowdown in growth (p.9) and then a consolidation since the product has reached the position that is possible for this particular product. Profits first show an increase, then declining growth and finally a reduction due to increasing competition and higher costs to maintain the market position. The declining phase is characterized by reduction in both sales of,and profits from the product.

The different phases of the life cycle of the product require different measures on the marketing and distribution sides. In the introduction phase the advertising costs relative to sales are at their highest. This is due to high costs in association with developing and establishing a distribution apparatus and promotion activities for acceptance and increased sales of the product. With respect to the distribution strategy in the introductory phase, the seller can concentrate on getting

the product into as many supermarket chains as possible or he can concentrate on selling the product to selected dealers. The last strategy involves less spread, and it can take a longer time before the product is established in the market (Blom et al.,1985).

In the growth phase, which is characterized by increased sales of the product,it is important to establish a solid position in the market through modification of the product (quality improvements, product developments), introduction into new market segments and improvement of the distribution apparatus. The marketing strategy changes from placing emphasis on making the product known in the market to emphasising advantages of just this product and to built up brand name loyalty.

Sales will level off in the saturation phase, the competition from other products increases and the market is characterized by overproduction. The strategy in this phase is to create increased loyalty to the label by consumers and existing distributors. Stagnation in demand often means that the attention is directed towards increased cultivation of the distribution links to ensure space for the product at the distributor, and perhaps also to move into new distribution channels. The seller can maintain the sales by trying to sell the product to customers that have not been users before, to competitor's customers or to new market segments. The price will often go down due to the competition in the market and becomes more important as a competitive factor (Blom et al.,op.cit.).

The last phase, the declining phase, is characterized by a peeling off of the number of competitors in the market. Sales decline and many competitors stop carrying the product.

Remaining suppliers in the market keep market (p.10) cultivation activities at a low level, and seek to maintain profits as long as old customers continue to buy the product (Blom et al.,op.cit.).

It is important for suppliers to realize at what stage of

the life cycle their product is at any time. Marketing efforts and distribution strategy must be adapted to the life cycle of the product, and the stage in the cycle is decisive for which measures can best affect sales and profits. In Section 6.3. we will further discuss at what stage in the life cycle certain Norwegian seafood products are at the present time.

2.2.3 CONFLICTS IN THE DISTRIBUTION CHANNELS

Magrath and Hardy (1978b) claim that certain strategies in the choice of distribution channels involves danger of conflicts in the distribution channel. The following six examples of channel strategy often generate disagreement in the relationship between a processor and the processor's chosen middlemen in the distribution channel (Magrath and Hardy, op.cit.):

1. *Direct sales outside the middlemen chosen*

This strategy implies that the processor goes outside middlemen that the processor has a distribution agreement with, for example to sell directly to a retail organization.

2. *Oversaturation*

This strategy involves the processor makes agreements on sales with too many middlemen. Some areas have too many middlemen so that none profit from selling the processors label.

3. *Too many links in the distribution chain*

The processor can demand that small middlemen in the distribution chain must begin to buy from other large distributors in the chain instead of buying directly from the processor. This can lead to dissatisfaction among the small middlemen that do not always view large distribution companies as

better suited to give service and sell the processors products.

4. *New distribution channels*

The processor can open new, non traditional distribution channels that the existing distributors/middlemen perceive as poorer than the channels that had looked after distribution before. The situation can become edgy in cases where the processor gives the same support to the new channels as he did to the existing distribution channels.

5. *Cost cutters*

The strategy of using middlemen known as distributors that sell cheap products (cost cutters), can mean that the image of the producer's product line will fade. The price level of the products sold by all middlemen in the distribution channel often fall as a result of more intensive coverage in the lower paying segment of the market.

6. *Inconsistency*

The processor can behave in a surprising,unpredictable and arbitrary manner. A behavior like this can create confusion and uncertainty among the participants in the producers distribution channel. Furthermore, the perception of the producers distribution policies is weakened due to his inconsistent actions.

It is important that Norwegian processors of seafood (for example producers of farmed salmon), realize the danger of conflicts in the distribution channel that can arise due to different behavior patterns. A danger for Norwegian exporters at the present time is to go outside middlemen that they normally sell to in order to sell to the middlemen's customers. The exporters will then be placed in a competitive situation with their own customers (middlemen), and this is considered as deceit towards middlemen that normally are handling the producers (p.12) products.

The key to satisfaction among the participants in the

distribution channel is, according to Magrath and Hardy (1987b), that the processor's support activities are adapted to the requirements in the channel, the stage of development of the channel and other meaningful matters in the distribution channel. The producer's channel design, distribution policies and support activities directed at the middlemen in the distribution channel have major implications for the atmosphere in the distribution channel; will it be characterized by conflicts or cooperation between processor and middlemen.

2.3 THE PURCHASING FUNCTION

The objective of the purchasing policy in companies is well known (Baily and Farmer, 1986):

"to buy the right quality at the right time in the right quantity from the right source at the right price"

Purchasing management in companies is a many -sided function, and consists among others of the following part functions
(Kiser, 1976):

* To generate alternate solutions to purchasing problems
* Protect the cost structure in the company
* Minimize costs for purchases
* Secure lasting and stable sources of delivery
* Work to maintain good relations with the suppliers (flexibility, quality deliveries)

There are a number of conditions that are of importance for the purchasing function in a company. Information increases in

the product area, information searches regarding the process, information searches in the technological area and information searches in the business area are important factors in this connection (Shapiro, 1988).

With respect to information searches in the *product area*, this applies to information on product costs, trends in the market for the product in question and information on sources of supply. Information on *the process* includes knowledge of the economics of the process, understanding of the supplier's production capacity, production processes, how the supplier's production price is arrived at etc. The latter can give the purchaser reason for pressing the price down.

Information searches in *the technology area* apply to knowledge of product development, technological capacity and cost structure of the supplier. The last factor, information searches in *the business area*, applies to monitoring of the competitive position of the supplier and the structural changes that characterize the supplier's business (Shapiro, op.cit.).

2.3.1 CHOICE OF SUPPLIER

American businesses today emphasize the purchasing function more than earlier, and it is claimed that purchasing is one of the most important functions in the companies. They also choose highly qualified people with experience in, and understanding of the industry when they hire staff on the purchasing side. It can be seen that there is a tendency to integrate the purchasing function in the collective strategic planning regime. The behavior of the company in the procurement of supplies plays an important role in , for example, the improvement in product quality. This point is especially important in the distribution of products with short shelf life.

Looking at examples of conditions that are of importance for the purchasing function in a company (section 2.3.), it can

be seen that increased information is important in several areas. It can be noted in particular that increased information in the business area (monitoring of the suppliers competitive position and the structural changes that characterize the supplier's trade), gives the scope for a long term perspective when the purchaser is to select a supplier.

Shapiro (1988) points at three forms for supplier (p.14) management (strategic relationship to the supplier link):

1. Utilization of the competitive mechanisms
2. The supplier as partner
3. The supplier as developer of products

The first form, utilization (exploitation) of the competitive mechanisms, is a strategy where the purchasers press the prices of the products from the supplier down as much as possible. This can be achieved by operating with many suppliers in order to limit the influence of each individual supplier, and to secure supplies if problems arise with a supplier. This type of relationship with the supply link can imply a danger that the supplier's loyalty to the company is weakened, and can increase the risk of irregular supplies especially in times with shortages of the specific product in demand (Shapiro, op cit)

The other form, the supplier as a partner, implies a mutual, long term dependency between buyer and supplier, so that good quality and reliable deliveries can be guaranteed. Characteristics of this form for strategy towards the supplier link are ,for example,long term cooperative arrangements with a limited number of suppliers, framework agreements with extensive use of verbal agreements regarding deliveries, and close cooperation between different divisions in the buyer's and supplier's businesses (for.example production-, research- and product development divisions etc.)

The danger of a strategy like this towards the suppliers is that the buyer, in instances where the supplier sell a large part of their total to the buyer, over time can feel a moral

responsibility for the economic situation in the supplier company. This hampers the degree of flexibility of the company that does the purchasing. This form of relationship between purchasing company and supplier is common in Japanese business circles, but few western companies practice this form for cooperation (Shapiro, op.cit.).

The third form of supplier management, the supplier as product developer, is based on the purchasing business attempting to identify and make use of the support and advice the supplier can give (especially on the technological side; component development; product development). The purchaser attempts to find suppliers that are on the leading edge technologically, and makes agreements with these supply companies. This supply form requires, however, that the purchaser use relatively large resources to monitor research and development (R & D activities) and new technology at the suppliers, and often on a world wide basis (Shapiro, op.cit.).

2.4 EVALUATION CRITERIA IN PRODUCT AND SERVICE COMPOSITION

The retailer is the link in the distribution chain that best can feel the consumer's requirements, wishes and demands. An important task for the retailer is therefore to disseminate this information back to the supplier so that he can make adjustments or develop products that are at any time in line with consumers requirements. The retailer must therefore define and transmit which service functions and which distribution channel support systems (financial/technical support in connection with the retailers promotion work, information on product/nutritional value/preparation, etc.) that are best suited to increase the consumption of the product. American companies used in 1987 about 100 billion USD on such promotional measures. Two thirds of this was used on "push" marketing/channel support; trade promotion,

incentives to wholesalers and retailers to get them to stock and promote the sale of the producers products (Johnson, 1988).

In addition to pass on which service is most effective towards the consumers, the retailer can place demands on his suppliers on the quality of the products delivered and the service given by the suppliers. The retailers have become more skilled at negotiating with producers/suppliers of products and services (see Hanssen, 1988). Fusions and buy-outs in American retail trade results in increasing negotiating power on the buyer side, and thereby greater demands placed on the processing and producing sectors. A result of the concentration within the American retail trade will very likely be demands for specific agreements that favor the retail concerns initiated from the retail sector. The retail trade also set demands on participation in the retailers marketing activities, good service in the form of continuous deliveries of quality products, and concessions to the retailers in several areas.

According to Baily and Farmer's (1986) definition (p.16) of the object of the purchasing function in a company (see Section 2.3.), we can roughly divide the purchasing functions in major groups. Under each group of criteria (the right quality,right quantity, right time, right price), examples are given of goals to meet of the various purchase criteria (Baily and Farmer, op.cit.):

2.4.1 THE RIGHT QUALITY

The quality of a product or a service includes essential characteristics of the product or service in connection with its ability to meet a given demand (Baily and Farmer,op.cit.). To achieve a quality as right as possible is often achieved through purchases on the basis of specifications, standardization, evaluation of the suppliers and inspection and quality control. As examples of a measure of if the criteria for right quality have been met, we can mention percentage rejects in the shipment received.

To a larger extent demands are placed on documented quality assurance systems in the plants. As an illustration of this it can be mentioned that the British chain Marks and Spencer has set strict quality requirements of the producers that sell shrimp through the chain. The specifications regarding highest possible total bacterial count in the products are much stricter at Marks and Spencer than at the Food Inspection Service in Norway. The chain also set certain demands regarding measurements of internal temperature of the shrimp after cooking; they must have a minimum temperature after cooking. They inspect all production facilities to be used for their products (this has also been the case in Norwegian shrimp plants) before they begin to buy from the company.

2.4.2 THE RIGHT QUANTITY

The purchase of the right quantity is not a problem area in cases where an individual requirement for supplies come up.(p.17) However, most purchases are made to meet regular demands that are repeated over and over again. Regular purchases are made either for storage or for immediate use, for example in production. Purchase at the right time therefore becomes a question also on storage control and production control to establish the quantities necessary and at which time this quantity is required. Meeting the criteria for the right quantity supplied can for example be measured in the percentage of stored products not sold in a specified time, the number of times the storage facilities have been emptied, the number of urgent (emergency) orders, comparison of actual quantities in storage with desirable quantities etc.

2.4.3 THE RIGHT TIME

The purchasing departments in the companies have the responsibility for obtaining supplies of necessary products and services at the right time (that means getting the supplies at

the time they are needed in the business, "The Just in Time" method for purchasing). There are many examples of the purchasers having problems with just that, to obtain the purchases at the right time. An example is that some suppliers promise to deliver by a date that they can not possibly meet. This can be a conscious strategy by the supplier to get an order, the supplier can have acted in good faith and unforeseen circumstances could have cropped up, or it can be due to a failure in production planning and -control by the supplier. Deliveries of supplies at the right time is a critical factor for the purchasing management in a retail business. This applies especially when the business carries out marketing campaigns for a product and the supplier is unable to deliver this product at the right time. A measure of meeting the criteria of deliveries at the right time is really delivery time compared with promised delivery time, the time it takes to process requisitions, claims, demands etc.

2.4.4 THE RIGHT PRICE

Price is an important factor for buyers in a business. But price alone is a key factor only if all the other purchasing criteria have been met. In cases where the purchasing company has financial difficulties the price for products and services become more critical. The price for products and services is set on the basis of actual production costs, consideration of the situation in the market for the product and from negotiations with the buyer on price. In the literature on purchasing, emphasis is placed on the fact that the buying company should achieve the right price, rather than the lowest possible price (Baily and Farmer, op.cit. and others). Meeting the criteria for purchases at the right price can be measured in price paid vs. budgeted price, paid price vs. a standard price, paid price vs. a market index or price at the time of use vs price at the time the product was bought.

2.4.5 THE RIGHT SERVICE

It is a known fact that American supermarket chains to a larger extent than before utilize special evaluation criteria for suppliers of fish and seafood products.In addition to criteria such as the right quality, right quantity, in right time and at the right price, purchasing management in American supermarket chains also use more specific criteria as for example service offers from suppliers when evaluating various suppliers.

The degree of meeting the specified demands means much for the purchasers in the retail business in evaluating their suppliers. .The demands placed on the supply side by the retailers, and to what extent the suppliers can meet these demands, therefore take on a decisive importance for the businesses that wish to be suppliers to this industry. A more specific discussion of the actual demands that purchasers place on suppliers of seafood in the American retail sector is given in Section 5.

3. AMERICAN RETAIL SALES OF FOOD PRODUCTS

3.1 PRESENTATION OF THE MARKET

The American food product market has become more and more international in the past decade. Shelf space in American supermarkets and in special stores that earlier were chiefly filled with American - produced food products, is now to an increasing degree being occupied by imported products (Dziezak, 1987). American food companies have been production oriented, and a number of the products are developed to appeal to the preferences of the broad mass of consumers. This system is effective in reducing costs and ensuring a uniform quality standard. However, the product can be too bland and have little characteristic aroma, and can with difficulty satisfy the magnitude of cultural preferences found among consumers (for example in hispanics, jews, orientals etc.).

Imported products are often produced in smaller plants that use other, simpler production methods and stress quality. This production method results in higher production costs, but in return the product becomes more aromatic and the texture is better preserved - more like home made products (Dziezak, op.cit.). Quality, together with the last mentioned product property, home made, are among the characteristics that to the greatest extent contribute to create interest for the product among consumers.

Since floor space in American supermarkets has increased and supermarkets have been converted to superstores, more imported products have been given shelf space. Imported products are placed on the shelves together with American made products. This encourage consumers to try other products than those they are used to. Imported food products in USA include bakery- and confectionery products, dairy products, meat, poultry, seafood, prepared products of fruit and vegetables and special products.

3.1.1 CONSUMPTION OF MEAT AND POULTRY

The American consumption of meat per capita was in 1986 about 78 lbs red meat, 59 lbs pork, 3 lbs other meat (lamb, veal etc) and 74 lbs poultry and related meat (chicken, turkey, rabbit, frog, egg products etc) (U.S.D.C, 1987). To meet this demand, the US imports considerable quantities of meat yearly. In 1985 the import of meat was about 1.5 billion lbs (U.S.D.A.,1986). Chief suppliers of meat to USA is Australia and New Zealand. Meat from these countries is characterized by a lower fat content and stronger flavor than American meat. This is due to the fact that the cattle is being fed grass the whole year, in contrast to the American cattle that to a large degree is fed corn (maize). In the poultry and related products class, imports consist to a large degree of special products and gourmet products such as chicken pates, products of goose liver, frog legs, etc.

3.1.2 CONSUMPTION OF SEAFOOD

The demand for seafood in USA is greater than what the American seafood industry can supply. The country is dependent on imports to satisfy the demand, and consumption is increasing relatively fast. In 1987 the seafood consumption per capita per year had reached 15.4 lbs. This is a sharp increase of 19.5% from 1980 when the yearly consumption per capita was 12.8 lbs. Figure 3.1 (next page) shows developments in the consumption of seafood in USA over time.

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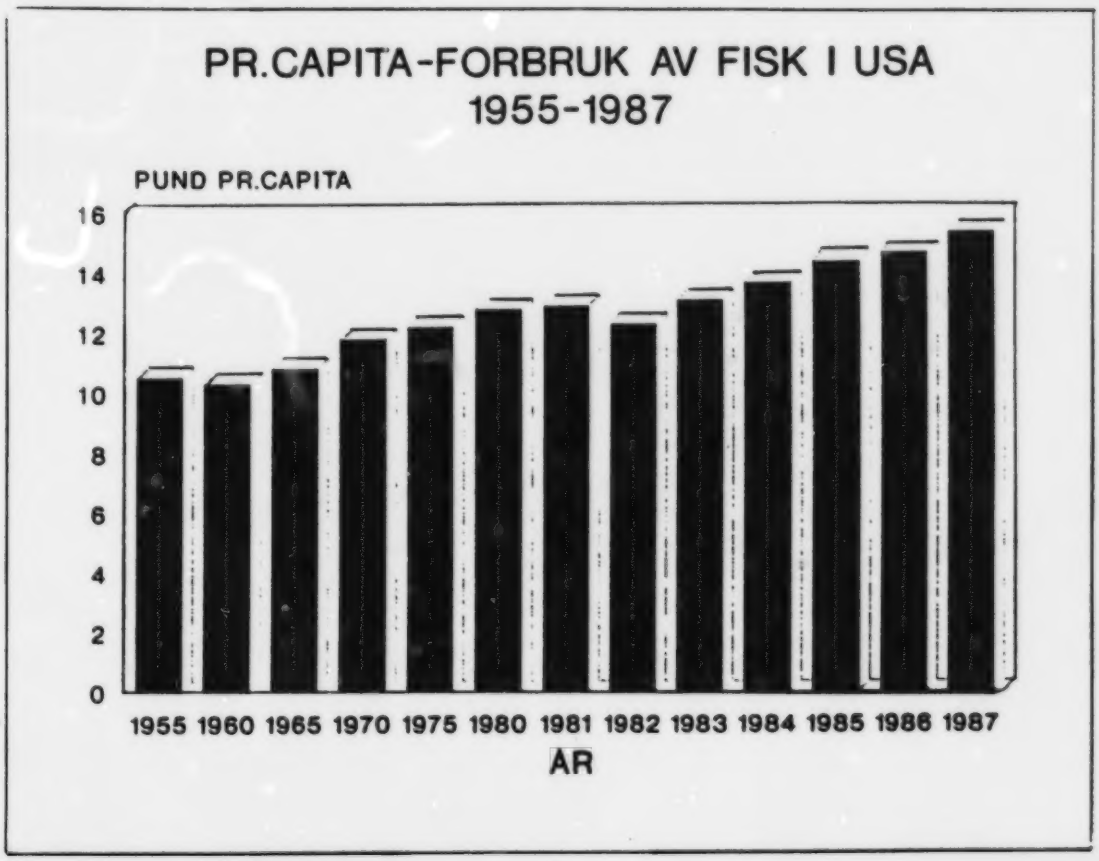

Figure 3.1.: Yearly per capita consumption of seafood in USA over time (Source:US Department of Commerce,1987)

3.1.3 CONSUMPTION OF DIFFERENT SEAFOOD PRODUCTS

Fresh and frozen products head the list of seafood products being consumed. The consumption of canned products is also relatively high, while consumption of salted products is very low (see Fig. 3.2,next page).

22

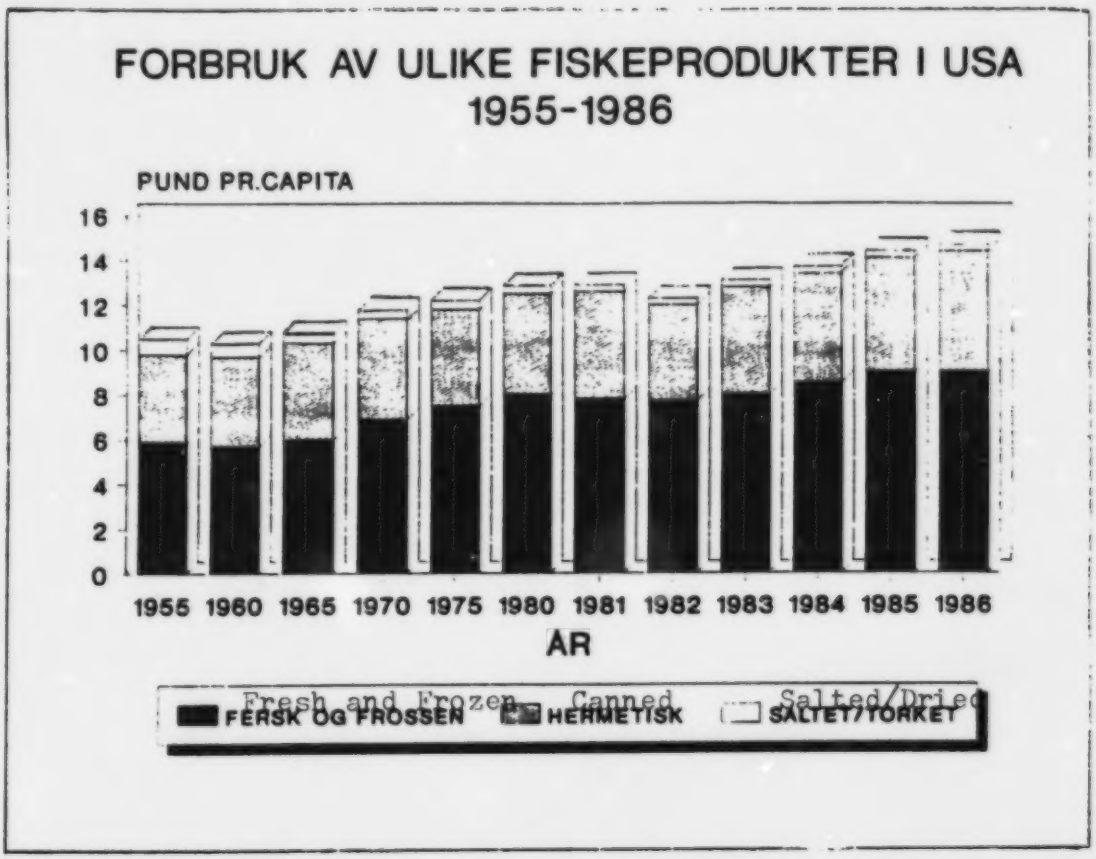

Figure 3.2.: Seafood consumption by product type (Source: US Department of Commerce, 1987).

The reasons for the registered increase in consumption of seafood products in USA are several. Earlier problems with continuity of supplies of seafood products, maintaining good quality, problems with domestic distribution and lack of new products based on fish are well underway to being overcome. The expansion in the aquaculture industry has contributed to better availability of seafood products. The focus on health advantages by eating fish and other seafood products has also contributed to increased seafood consumption.

3.1.4 NEW PRODUCTS IN THE RETAIL TRADE. (p.23)

Each year a number of new food products is introduced into the American retail trade. In 1987, a total of 7866 new food products were introduced. Studies show that the purchasers in American supermarkets on average accept 38% of the new products offered, and give each new product shelf space on average a little more than 5 months to demonstrate that the product will sell well (Fitch, 1988). When the retailer makes a decision on if the product should still stay on the shelf, some of the criteria used are:

- Introduction conditions (include discounts, marketing support activities etc.),
- planned advertising- and promotion activities directed towards the consumer, and
- achieved consumer demand
- product improvements or expansion of product line

3.1.5 PRICE CONDITIONS

Prices for seafood in the American food market are increasing, and average price increases per year for fish and seafood products are about 10% (N..N., 1988a). Compared with other food products, it can be seen that the prices for seafood have a relatively much higher growth than respectively red meat (4% price increase per year) and poultry (3% price increase per year) (N.N., 1988a). Large price increases carry wit them a danger of seafood products being "priced out of the market" (prices exceed what consumers are willing to pay for the product). This has happened with King Crab and some shrimp species in the US market. The export prices have here been so high that the products have priced themselves out of the domestic market (N.N., 1988a).

A fall in price was also registered for cod blocks from the beginning of the year and up to August 1988. Prices then fell

from about 2 US dollars per pound to about $1.50/lb. However, the prices are in the progress of recovering, and prices were increasing towards the end of 1988. The quantities of cod blocks, cod fillets and cod steaks in frozen storage were also (p.24) much higher in 1988 than in earlier years (actually approaching the double of holdings in 1987).

A study of average gross margins in American supermarkets performed by the Food Marketing Institute, shows that trade with fresh seafood has an average margin of 29% (Food Marketing Institute, 1987). Other studies show that the delicatessen departments operate with average gross margins of 48% and the dry goods with 22% (Terry, 1988).

3.2 PARTICIPANTS IN THE DISTRIBUTION OF SEAFOOD IN THE AMERICAN MARKET

The traditional American system for sale of fresh and froze seafood products is based on wholesale markets in association with the most important fishing ports and wholesale markets in the larger cities inland. From the wholesale markets in the fishing ports the seafood moves to processors, to consumer - and institutional markets (restaurants and canteens) in the regions or to wholesalers inland that supply the markets in their region. Some of the fresh and frozen seafood moves outside the wholesale markets and is sold directly to retail outlets and restaurants in the individual regions. In the following we will briefly describe participants in the distribution of seafood products and the functions the various groups have.

Importers: Importers buy seafood products from exporters and suppliers abroad (have ownership of the product). Importers often have a dual role where they maintain both import- and wholesale functions and sell the products on to the next link in the distribution chain.

Wholesalers: The wholesale function is an intermediary between the producer/exporter/importer and the next link in the distribution chain (distributor, institution, retailer, restaurant, etc.). The wholesaler buys and sells products for his own account. The wholesaler takes care of a number of (p.25) functions such as purchasing, assortment, storage, sale, transport, service towards customers, credit, risk, etc.

Distributors: A distributor buys for his own warehouse or cold storage and distributes the products further from these to the buyer's (retailer's) warehouse. There are several types of distributors operating in the American seafood market. It is usual to classify distributors on the basis of which products they distribute, for example distributors of special products and distributors of several product categories. The last mentioned group often sell both food and other products while specialty distributors often market only seafood products.

Agents: The agents most important role is to promote and conduct sales and to inform the seller on market conditions. An agent is the firm's representative in the market. When an exporting company has an agent in a market, the agent arranges sales in the name of the exporter and for his account. This means that the exporter gets direct contact with the customers and thereby a better opportunity to affect the sale itself than through exports via importer (Solberg, 1979). Compensation for the agent is in the form of a commission which is usually proportional to the sales volume. When distributing through an agent, it should be clear to the exporter which other suppliers the agent sells for (for instance if the agent gets supplies from competing suppliers).

Brokers: Brokers do not have ownership of the product, but finds buyers (arranges the sale) for a fixed honorarium from the producer or seller. Brokers usually operate within a

geographically delineated area.

"Commission men"(Commission salesmen): "Commission men" are a type of brokers that find buyers for the products against a certain percentage of the sales price of the product.

Retailers: Supermarket chains, gourmet stores, seafood retailers etc. that sell fish and seafood products to the final consumer.

Food Service Industry: This industry consists of restaurants and eating places that sell fast food. The food service industry also includes suppliers to the institutional market, like for example school canteens, prisons, hospitals etc.

In USA there were about 700 producers of fresh and (p.27) frozen seafood in 1982. In the same year the number of seafood brokers was 130 (The food Institute, 1986). The four largest companies in the category brokers, agents and commission men were responsible for over 27% of total seafood sales through this type of distribution channel in 1982.

We have here briefly listed various participant groups within the American distribution system for seafood products. In Section 4 we will discuss the retail link (a selection of supermarket chains), and describe the activity areas of these chains and the organization of the purchasing function in the concerns.

Figure 3.3. shows the primary sales channels for fresh and frozen seafood (bulk) in the United States.

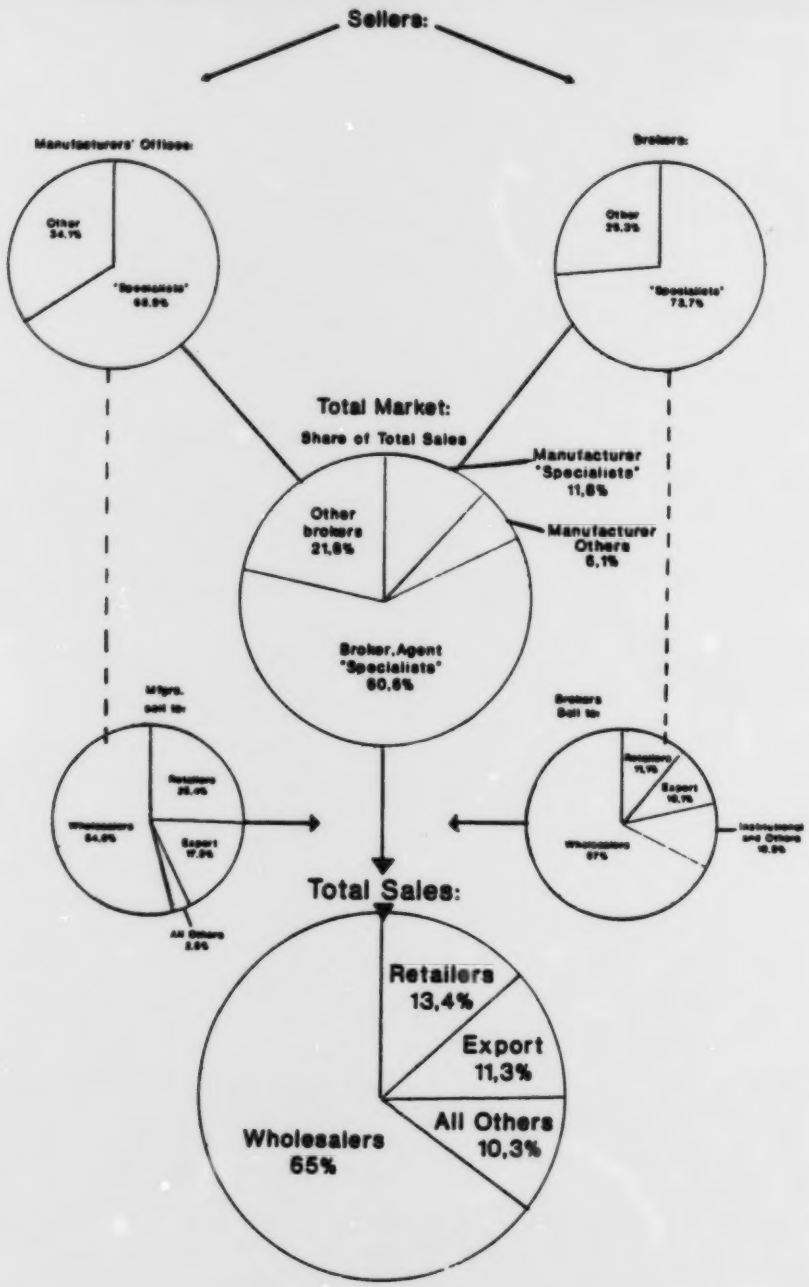

Figure 3.3.: Primary marketing channels for fresh and frozen seafood (bulk) in USA (Source: The Food Institute, 1986)

4. EMPIRICAL STUDY OF RETAIL COMPANIES

4.1 WASHINGTON, D.C. AND MARYLAND

The Washington, D.C./Baltimore area has a population of about 9 million people. The population in the District of Columbia has on average the next highest income (after Connecticut when comparing the income level in all states on the east coast of the United States (Bureau of Economic Analysis, 1987). The largest supermarket chains in this area is Giant Food (market share 47%) and Safeway Stores Eastern Division (market share 13%) (Underwood , 1988).

4.1.1 GIANT FOOD, INC

Giant Food Inc. is a retail chain consisting of 144 supermarkets (of these 92 combination stores and 1 gourmet store: "Someplace Special" which is the flagship of the chain). The company was established in 1936, and have their stores in the states of Maryland, Virginia and the District of Columbia in and around the cities Baltimore and Washington,D.C. The gourmet store "Someplace Special" is located in McLean, Virginia which is a suburb of Washington, D.C.

Giant food has sold seafood in the supermarkets since the establishment of the first of the chain's stores in 1936. Fish and seafood products are sold in several departments in the stores such as the seafood-, delicatessen-, frozen food- and dry goods departments. Sales of fish and shellfish products are distributed with about 60% fresh and ca 40% frozen products.
In addition, some frozen dinners, canned fish and seafood delicatessen products are also sold. Live lobsters are sold in 75% of Giant Food's supermarkets.

The size of the fresh fish counters in these supermarkets varies from 12 to 32 feet (or ca 3.7 - 9.8 m) with most of the manned fresh fish counters being 16 feet long. In the chain's gourmet store the fresh fish counter is 32 feet long. The frozen food counters (frozen, unprocessed products) vary in length from

8 to 12 feet (2.4 - 3.7 m). Frozen prepared seafood products (dinners, private labels) are sold through the chain's department for frozen food and dry goods (grocery products). The (P.29) seafood products that are sold here are displayed with other products in freezer cabinets with several shelves.

Giant Food sells all types of fresh/chilled seafood products, several types of frozen unmarked products and frozen private label products (Taste O'Sea, Van de Kamp's, Frionor, etc), canned sardines, tuna, salmon and delicatessen products such as smoked salmon, herring preparations etc. The chain has experienced that the species salmon, shrimp, orange roughy (from New Zealand), ocean perch and cod are being most requested. Fillets is the product form most in demand.

There is no customer group that dominates in Giant Foods supermarkets. Customers consist of a mixed group of young, older, high- and low income groups , singles and married couples. Giant Foods highlights quality and wide assortment when they sell fresh seafood products, and uses advertising media such as weekly ads in newspapers, weekly circulars to customers, radio and some television advertising. Giant Food also hands out recipe cards to customers with suggestions for preparation of seafood, and have monthly product - and preparation demonstrations in the stores by local chefs. Television advertising is considered to be most effective, but extensive use of this medium is considered to be very expensive by the chain. The purchasing managers for seafood choose the seafood products that the chain will feature in their campaigns at any time. These people are thereby deeply involved also in the marketing of fish and seafood products in Giant Food. The chain runs campaigns for increased consumption of seafood the year around. The fasting period in February (Lent), winter, Easter and Thanksgiving in November are considered the best periods for sale of all types of fresh fish products. The consumption of fresh fish is lowest in the summer. In general, the chain purchases the largest quantities of seafood products in the period from November to April.

Giant Food has 4-5 employees in each store that has a manned seafood counters. The staff in this department have all gone through a special training program on fish and seafood product's. Stores with self service counters for seafood usually has one employee per store. Giant Food has a total of 22,000 employees and yearly sales over 2.7 billion USD (about 18 billion Norwegian kroner). The chain is the 12th largest supermarket chain in the United States and is considered to be one of the most successful (Underwood, 1988).

Purchasing. (p.30)

The Senior Buyer Seafood, Bruce Steinberg and John Hoppenjans (Seafood Buyer) are responsible for procuring fresh and frozen seafood (except frozen private labels) in Giant Food. They also decide which suppliers the chain should buy from. Giant Food has three distribution centers, including a separate distribution center for frozen foods (including frozen labelled seafood products) and non perishable products such as canned fish.

Fresh seafood is delivered by trailer to one of the three distribution centers. In the distribution center the fish is weighed, controlled for parasites (light candling), the temperature checked, and the products are then repacked and recoded. The chain operates with separate codes for reception and timing for delivery to each supermarket. Deliveries to each store is made by trailer. The supermarkets in the Giant Food chain are supplied from a central purchasing and distribution division. At times they also receive supplies directly from exporters abroad (special products like live shellfish, clams) and from domestic producers, but then only to fill up the counters. So far the treatment of fresh fish in the Giant Food distribution chain has been judged to be very good. In the rooms where the fish is quality controlled and repacked, strict sanitary requirements and strict temperature control is stressed.

The rooms were clean, tidy and had no smell, and there was no

splashing of fish waste on walls or floor. The quality system in Giant Food is claimed to work very well.

Giant Foods utilize about 60 suppliers. Some of these deliver on a regular basis; others only in certain seasons of the year. Each day the chain buys seafood from a number of suppliers fluctuating between 5 and 18. None of the suppliers are sole suppliers of a product to the chain; there are always at least two suppliers of the same product. Also, none of the suppliers has any particularly strong position internally above the others in the group of suppliers.

The seafood sold by Giant Food is purchased from suppliers all over the world. Large quantities of fresh salmon are purchased from Iceland and Scotland. Cold water shrimp, that the chain yearly sells large quantities of, is purchased chiefly from Greenland, Denmark and Iceland. Giant Food has purchased fresh and smoked salmon, fresh fillet products and frozen (p.31) finished products (Frionor) from Norwegian companies. All agreements on purchases of fresh seafood products are made verbally. It is only for frozen products the chain uses written contracts. The contracts then include certain quantities and prices.

4.2 MASSACHUSETTS; BOSTON, NEW BEDFORD AND EAST BRIDGEWATER

The Boston Market Area (Boston and cities in Massachusetts, Rhode Island, New Hampshire, Vermont and Connecticut) has a population of nearly 9 million people. An American study showed that the population in Massachusetts had the fourth highest average income and highest growth in average income in the period 1979-1986 compared to other states and metropolitan areas on the east coast of the United States (Bureau of Economic Analysis, 1987). The largest supermarket chains in the Boston area are Shaw's Supermarkets (market share of 10.3%) and Shop & Stop Co. (market share of 11.3%)(Progressive Grocer, 1988).

4.2.1 SHAW'S SUPERMARKETS

Shaw's Supermarkets operates 61 outlets consisting of about 50 supermarkets and 10-12 superstores. These are located in the states of Massachusetts, Maine, New Hampshire and Rhode Island, both in urban and rural areas. The chain sell all types of fresh and frozen (unlabelled) fish and shellfish products, some frozen finished products (labelled) and canned seafood products (sardines, tuna, salmon, kippers etc). Sales are slightly less than 40% fresh products and 60% frozen products. The stores sell a number of well known labels in the product category of frozen finished products. In addition, the delicatessen departments sell some smoked and highly processed seafood products together with other types of deli products.

The purchaser of seafood claims that boneless fillets of cod, haddock and sole (flounder) are the products most in demand. Small packages with few portions are most popular. Special products like clams are not much in demand at Shaw's stores. The same also applies to cod steaks. Manned seafood counters in Shaw's Supermarkets has an average length of 12-16 feet. The freezer counters are on average 8-12 feet long wit self service.

Shaw's Supermarkets do not have any customer group that dominates. Customers are well mixed and consist of all age groups, household compositions etc. In regular marketing and for special promotions, Shaw's utilizes newspaper ads (most used),brochures, radio and television. Newspaper ads are considered best suited to market all Shaw's products, while television is considered most efficient for marketing a certain product. Shaws has demand for large supplies during campaigns. Cod is advertised each week, shrimp is marketed especially before Christmas, New Year and holidays like Thanksgiving etc. Special promotions for salmon are held around July 4th (the American national independence day) when there is a tradition to eat salmon. The best season for sale of fresh seafood products in Shaw's Supermarkets is the summer, according to the buyer for seafood in the chain. Quality is considered to be the most

important criteria in seafood marketing.

Shaw's Supermarkets has 1-2 people per store that work at the manned seafood counters. One person per store also has the responsibility for the self service counters for seafood. The chain has a yearly turnover of about 1.3 billion USD (ca. 8.7 billion Norwegian kroner, and is ranked as the 20th. supermarket chain in the US (N.N., 1988). Fish and shellfish products comprise about 2.5% of total sales in Shaw's.

Purchasing

Responsibility for purchases of fresh and frozen seafood in Shaw's Supermarkets rests with Martin Kahaiyan (Meat Buyer), who also purchases meat for the chain. All decisions regarding fresh and frozen unlabelled seafood products are made by Mr. Kahaiyan. In addition, the chain also buys delicatessen products,canned fish and shellfish and frozen,prepared products (labelled products) through the delicatessen and grocery departments.

Shaw's Supermarkets take their supplies in to a central distribution central which then supplies the individual stores. The individual stores are , in addition, supplied by local producers and distributors. Shaw's does very little secondary processing (mostly some cutting in the stores). A local company packages fish and shellfish products for the chain with the chain's label and logo on. The chain is supplied by about 15 suppliers of fresh and frozen fish and shellfish. Many of these are local suppliers. Frozen finished products (labelled products) are purchased chiefly from local distributors that sell on license for a producer. The three largest seafood suppliers supply about 90% of the quantity bought by the chain.

Shaw's buys fish and seafood products from many countries. Fresh fish is mainly bought from Alaska and the east coasts of USA and Canada. Farmed shrimp is imported from Ecuador, and frozen cod purchased to a large extent from American companies. In the fishing season for wild salmon in Alaska (spring/summer), fresh salmon is bought from there exclusively. Shaw's has so far

purchased salmon and canned sardines from Norway.

All agreements on purchase of fresh and frozen (unlabelled) seafood for Shaw's Supermarkets are made verbally. However, the chain concentrates on building up long-term relations with their suppliers of seafood. An element given much weight is that suppliers to the chain should be able to deliver a broad spectrum of the products Shaw's has a demand for at any time.

4.3 NEW YORK, NEW JERSEY AND CONNECTICUT

The New York Market Area has a population of over 17 million people. The area in and around New York has large ethnic diversity, and people from a number of countries live here. The hispanic and black population is especially large, but also Jewish, European and Oriental populations are large in the area. The population in Connecticut has on average the highest income on the US east coast. New York City is on fifth place of the list over the highest average incomes (Bureau of Economic Analysis, 1987). The largest supermarket chains in the New York (p.34) Market Area are A&P (market share of 10.2%) and Grand Union (market share ca 5%) (Progressive Grocer, 1988).

4.3.1 THE GRAND UNION COMPANY

The Grand Union Company has 327 stores on the east coast from New Hampshire to the southern part of New Jersey. The head office is located in Wayne,New Jersey. The chain owns and operates conventional supermarkets and combination stores, and separate seafood departments are found in 101 of the supermarkets. Fresh seafood is sold in the stores through combinations of full service counters (up to 16 feet) and self service counters (usually a part of the meat counters, 6 feet on average). Frozen seafood products are displayed in self service freezer cabinets that are usually 6 feet long and have four layers in height ("multi-deck").

Grand Union sells chiefly fresh fish and seafood products and some frozen, canned and delicatessen products (pickled herring, lobster filled with shrimp and garlic, mussels/clams etc) The chain carries all types of fresh seafood products. Products that are purchased frozen are sold as frozen; they are not thawed. It is claimed that fillets and steaks of cod, salmon and sole (flounder) are the products sold most at the present time. Frozen products are less in demand. Large size packs with several portions, family packs, are most in demand at Grand Union. The chain carries a number of well known labelled products within the product category frozen convenience foods. Frionor's product lines are not included in the assortment found at Grand Union.

The customer base at Grand Union is relatively well mixed, but two income households and older consumers are possibly the largest customer groups. The chain stresses quality in marketing their seafood products. Newspaper ads and television are mainly used in marketing. Television advertising was taken in use from 1988, and the chain registered a doubling in sales after TV ads compared to newspaper ads. Promotion work is carried out all year, and it is stressed that shrimp and salmon sell well all year. During family holidays like Christmas and Easter the sales of these products are especially high. Cod also generally sells well except in August/September.

Grand Union has one person in each store to look after serviced fish counters. The same person is responsible for self service counters with fresh seafood. The chain has a total of ca.. 22,000 employees. Grand Union has sales of about 2.7 billion USD (over 18 billion Norwegian kroner). Fish and shellfish products comprise about 28 million USD of this.

Purchasing

Fresh products and frozen, unprocessed products are purchased through the purchasing office of the chain. Wayne Brett (Seafood Buyer) is responsible for procuring these products, and

he also determines which suppliers the chain should buy from. Frozen convenience foods (labelled products) and canned fish and seafood products are purchased through the grocery and frozen food departments. Some smoked products and special products are bought through the delicatessen department. Supplies arrive in trailers to the chain's distribution center where they are repacked before being distributed further to the stores. Salmon is distributed directly to each store where they are also cut up. Some secondary processing is carried out in some of the Grand Union stores, chiefly filleting, cutting of steaks and preparation of finished dishes based on seafood (salads etc.).

Grand Union has an EDP - based ordering system from each store to the head buyers in three regions. The heads of the seafood departments order each day for deliveries the following week. The fish and shellfish is delivered to each store the night after it has been received and quality controlled in the chain's distribution central/warehouse. Each store receives 3-5 deliveries of seafood each week.

Grand Central calls on a group of 100-120 suppliers of fish and shellfish. As much as 75% is purchased from domestic suppliers, and the chain also does some importing on their own. scotland, Norway, Ireland and Chile are relatively large suppliers of salmon to the chain. Shrimps are bought chiefly from Ecuador and Mexico, and cod from Canada and USA. Grand Union uses verbal agreements when buying fish. It is claimed that it is important to work for long-term relationships and relationships of trust with suppliers, but the chain does not wish to become dependent on one or two suppliers.

UNEDITED TRANSLATION
For information only
TRADUCTION NON REVISEE
Information seulement

4.3.2 THE GREAT ATLANTIC AND PACIFIC TEA COMPANY (A & P)

The retail division of A&P is divided into 6 regional divisions with responsibility for their own areas (the Northeast, the New York Metro Area, the Mid Atlantic States, the South, the Midwest and Ontario, Canada). One of the objectives of this division into regional divisions is to as quickly as possible adjust to changes in local conditions (taste, buyer behavior) in the different regions. The chain tries to create an image that corresponds with the demand in each of the regional areas where the chain operates. In total A&P has more than 2000 stores located in the states New York, New Jersey, Massachusetts, Connecticut, Virginia, Maryland, North Carolina, Pennsylvania, Wisconsin and Michigan in USA and in Ontario, Canada. The A&P Metro New York Group with head office in Edison, New Jersey has been studied for this report. The A&P Metro New York Group has 201 stores in the southern part of the State of New York, New York City, New York suburbs, Long Island, New Jersey, Pennsylvania and Connecticut, and the stores are presented in 4 different formats; Futurestore which are upper status stores with beautiful facilities, A&P Food Bazar which are prototype stores, A&P Save A'Center which are warehouse outlets and A&P conventional supermarkets.

A total of 100 of the stores in A&P Metro New York Group have their own seafood counters. Serviced fresh fish counters are normally 16 feet long, the self service counters for frozen, unlabelled seafood products are up to 8 feet long and self service freezer cabinets with 4 shelf heights are 12-24 feet long (multi-deck).

Fresh fish and shellfish are sold mostly in the upper status stores and frozen fish in the conventional supermarkets. All kinds of fresh and frozen species imaginable are sold. In the delicatessen departments products like smoked salmon, shrimp- and herring dishes etc. are sold. All stores sell canned products like sardines, tuna and salmon. All seafood purchased as frozen is sold as frozen. The group does not thaw the products before

sale. The products that are most in demand at the present time are fresh fillets, fresh steaks, shrimp, ready-to-cook whole fish, live shellfish and convenience (prepared) products. Both small and large package types sell well. Species that are foreign to the customers, for example exotic fish species, are less in demand in the A&P stores. The chain sells a broad spectrum of known labels in the category frozen convenience foods. A&P has a mixed customer base, but comments that different customer (P.37) groups frequent the different stores operated by the chain ("upscale", conventional supermarkets, low price stores). Quality is stressed before price in A&P, and the chain markets their products through ads in the paper each week of the year. Television advertising is also used, but it is assumed that newspaper advertising gives the most response since this goes on continuously. The chain carries out campaigns for increased sales throughout the whole year; species features varies with season and availability. In connection with family holidays special ads are run for the most popular products (salmon and shrimp especially).

The seafood departments in each of the A&P supermarkets have between two and six employees. The A&P company had 83,000 employees in total in 1987. A&P is the fifth largest supermarket chain in the United States with yearly sales of more than 9.5 billion USD (about 64 billion Norwegian kroner). Seafood sales are less than 1.5% of this. A&P Metro New York Group sells a higher percentage of seafood than the company in general.

Purchasing

Thomas Fallacaro (Metro Group Seafood Sales) is responsible for the purchase of fresh and frozen unlabelled seafood products. The selection of suppliers for seafood is made by Mr. Fallacaro.

A&P Metro New York Group buys seafood from more than 100 suppliers. Of these, four are major suppliers to the chain. A&P buys from domestic producers and distributors all over the world, depending on availability of species desired, seasons etc. Fresh

and frozen unlabelled seafood products are purchased through the seafood department. Frozen private label products are bought through the meat department and canned fish through the grocery department. Fresh seafood is transported in trailers from the airport to warehouses owned by distributors. The individual supermarkets order by telephone and get supplies directly from here. Some of the fresh fish is delivered from domestic producers to the distributor's warehouse or to A&P's own warehouse. The stores order by the use of a databased ordering system for deliveries from A&P's own warehouse.

Further processing is carried out to a limited extent at A&P distributors, and cutting into serving pieces is done in each supermarket. The seafood buyer carries out quality control of supplies delivered. The chain has in addition worked out its own system for quality control of seafood supplies.

The group has experience in buying from Norwegian companies; farmed salmon, canned sardines and frozen convenience dishes from cod (Frionor). The quality of these products, especially the farmed salmon, is generally considered to be high. Supplies of fresh seafood products (including salmon) come mainly from Maine, the Pacific coast and domestic producers. Frozen cod is purchased from processors in USA, Canada and Iceland. Shrimp is bought from Ecuador, Mexico,China, Thailand, Taiwan and from domestic producers.

All agreements regarding purchase of fish and shellfish products are made verbally. The Chief Seafood Buyer in A&P was neutral when asked if the chain intends to build up long term trade connections with suppliers of seafood.

4.3.3 WALDBAUM'S FOODMART

Waldbaum's Foodmart is a division of the supermarket chain A&P (see section 4.3.2.). The 139 supermarkets in the chain were bought out in December 1987. Before the purchase, Waldbaum's Foodmart was a privately owned family company. The chain has

stores located in the states Massachusetts, Connecticut and New York. The chain has only conventional supermarkets, and these are located in city areas and suburbs. About 6 years ago Waldbaum's started seafood departments in their stores, and today 28 of the stores have fully manned seafood counters. The manned counters are on average 12-16 feet long. The same applies to self service freezer cabinets for seafood. In supermarkets that only have self service counters for fresh seafood, this is part of the meat counter.

About 60% of seafood sales in Waldbaum's are fresh fish (normally about 20-30 different fresh seafood products), and 40% is frozen fish. Fresh cod, sole, shrimp and salmon are products very much in demand at Waldbaum's. The fish are cut up in the stores the way the customer wants it; whole fish are sold (P.39) to a limited extent only. In addition to fresh and frozen products, the chain sells canned fish and shellfish, smoked products, frozen prepared dishes, caviar, herring dishes, seafood salads and other delicatessen products. The chain carries labelled, frozen prepared dishes from a number of labels (Van De Kamp's, Mrs. Paul's, etc.) including some deliveries from Frionor.

It was said that the customer base in Waldbaum's Foodmart to a large extent consists of middle class households. The chain also has customers from other income groups and social background depending on location and status of each store. Waldbaum means that the chain as a whole has a good quality reputation and are attempting to build up a quality reputation especially for seafood being sold in the chain's stores. In the marketing of seafood products, emphasis is placed on high quality and low prices. The chain uses newspaper advertisements, brochures, circulars and radio- and TV advertisements in the promotion of their products. Weekly circulars and radio and TV ads are said to give the best customer response. The chain markets fresh salmon the year around with extra marketing efforts before Christmas and in the summer season. Fresh fillets are marketed especially in

the winter months, fresh shellfish (clams, mussels) in the summer months and shrimp all year. In the period May to October the sale of fresh products somewhat lower than in the winter months. It is in the period from October ("Seafood Month") to April that the chain has demand for the largest quantities of fresh seafood products.

The seafood departments in Waldbaum's Foodmart that have manned fish counters are normally serviced by three people. Waldbaum's is ranked as the 16th largest supermarket chain in USA with a yearly turnover of 1.7 billion USD or ca. 11 billion Norwegian kroner (N.N.,1988). Fish and seafood products comprise about 2% of total sales in the chain.

Purchasing

James L. Wallace (Seafood Supervisor) together with another person is responsible for purchases of seafood to Waldbaum's. Fresh and frozen fish and shellfish are purchased through chain's seafood division, and frozen, prepared products through the frozen food division. The delicatessen department handles smoked products, caviar, seafood salads, herring dishes etc.

The stores in the chain receives direct deliveries (p.40) from local distributors stores. Waldbaum's do not have their own warehouses that receive shipments of fish. The quality ensurance system is therefore based on random samples of deliveries to the distributors warehouse. Secondary processing of fish delivered goes on to a limited extent only, mostly cutting, trimming and filleting in each store.

Waldbaums' Foodmart has a stable of 24 seafood suppliers. Two of the suppliers account for 90% of deliveries on a weekly basis. The chain buys fish chiefly from American producers, exporters abroad, distributors et al. Fresh salmon is bought from British Columbia (Canada), the Faroe Islands, Scotland and Chile. Cod is mainly bought from Canada, and shrimp from Taiwan, USA and Canada. Waldbaum's has experience in purchasing farmed salmon,

haddock, scampi tails and cold water shrimps from Norwegian exporters. The chain expressed a wish for extended trade with Norway in the form of long term delivery programs. This is in line with their purchasing policy; they wish to build up long term connections with their suppliers of seafood. However, all agreements on purchases are made verbally.

4.4 ILLINOIS; CHICAGO

The Chicago Market Area has a population of nearly 10 million. Chicago is the third largest city in USA with respect to population, next to New York and Los Angeles. The city has large ethnic diversity, and many young people with higher education. Traditionally Chicago has been a "meat and potato" city, and the number of steak houses is higher than seafood restaurants (Barnett,1987). The supermarkets still sell more meat than fish, but the picture is about to change somewhat: There is strong growth in the sale of seafood in the region, and the growth is especially high in the sale of fresh fish.The largest retail chains in the Chicago area is Dominick's Finer Foods (market share of 13.3%) and Jewel Companies Inc. (market share 33.4%) (Progressive Grocer, 1988).

Chicago is more of a distribution center than a processing center, and the importance of high quality frozen storage facilities is therefore stressed. The location of the city in the Midwest means that the buyers can take advantage of the variation of offers from all three coasts in the US (East, West, South) in addition to imports. they are not bound to support local suppliers or local favorites. In the Chicago area the competition among (p.41)
distributors has been hard; early in the 1970's there were about four times as many distributors as there are today.

Today there are four leading distributors in the area; Chicago Fish House, Supreme Lobster and Seafood, Pick Fisheries and Pentecost Seafoods. Of these the Chicago Fish House is

decidedly the largest distributor company. Supreme Lobster and Seafood are next largest. Pick Fisheries is the chief supplier to the institutional market and Pentecost Seafoods (who delivers chiefly to the "White Table Cloth" restaurant trade, private clubs et al) is the oldest distribution company in the Midwest and one of the oldest in USA.

4.4.1 DOMINICK'S FINER FOODS

Dominick's Finer Foods has conventional supermarkets and combination stores in the state of Illinois, mainly in the area near Chicago. The chain has 90 stores, and 86 of these have their own seafood departments. The remaining four sell fresh seafood in self service counters. Serviced fresh fish counters in Dominick's stores go under the name "Neptune's Cove". These are on average 24 feet long (ca. 7.3 m). Freezer cabinets with frozen finished products (labels) vary in length from 24 to 28 feet (7.3-8.5 m). The fish counters are, however, always placed near the meat counters in the supermarkets.

More than 40% of seafood sales at Dominick's are fresh products. Frozen seafood products total slightly more. Shrimp comprise about 30% of the total sales of seafood. The chain tries to bring in all types of seafood products that customers demand. The most popular products at the moment are Orange Roughy (from new Zealand), farmed catfish, cod and whitefish from Lake Superior. Whole fish and fillets are the most requested forms of fresh fish. Both small and large packages are in demand. The delicatessen counters in Dominick's stores have a good supply of seafood products such as smoked salmon, herring dishes, smelt, surimi products and shrimp. Several well known labels of frozen seafood are stocked ; "Van De Kamp's", "Mrs Paul's","Gorton's" and "Booth" are the labels that sell best.

Canned fish is sold through the grocery department where labels like '"King Oscar" (sardines and kippers), "Chicken of the Sea", "Geisha", "Bumble Bee" (tuna) and others can be found.

Dominick's Finer Foods claims to have the upper middle class as their most important customer group in their stores. Otherwise the customer base is mixed with young/old, high income groups/low income groups etc. Quality is stressed as the most important competitive parameter for the chain in their work with marketing fish and shellfish products. It is also stressed that the chain carries a broad selection of seafood products. Newspaper, radio and television advertising is used to market their products. Continuous advertising in the daily press gives best customer response and reaches most potential customers, according to the chief buyer for seafood. The best time for sales of salmon is from may to October when the chain chiefly sells wild salmon from Alaska. For shrimp the best period is in the summer, but the product sells well the whole fall. Fresh fillets of cod sell best in the spring.

Those of Dominick's supermarkets that have full service seafood counters have from 2 to 7 employees in the seafood department. The total number employed in the chain is about 15,000. Dominick's sell yearly for about 1.5 billion USD in total (ca 10 billion Nkr) and is the supermarket chain in the Chicago area that sells most seafood.

Purchasing

Joseph M. Munao (Meat and Seafood Buyer) has the responsibility for buying fresh and frozen seafood for Dominick's Finer Foods. Canned fish products are purchased through the grocery department. Mr. Munao suggests from which suppliers the chain should buy fish. This must be approved by the director for the meat and seafood department. Dominick's buy from about 50 suppliers. The 3 largest (including Pick's Fisheries and Chicago Fish House (Section 4.4.2)) supply about half of the quantity the chain buys in total. The stores in the chain receive deliveries every day from its own, central warehouse and from regional distributors. The head buyer for seafood and another person inspect the quality when the seafood is received at the store.

The chain carries out some secondary processing (p.43) in the stores with full service seafood departments such as filleting, trimming and preparation for the serviced fish counters.

The chain has earlier bought salmon and cod fillets from Norway, but claims that it is less likely in the future as other countries can supply equally good products at considerably lower prices (Canada was here mentioned especially). Salmon are purchased chiefly from Alaska (in season for wild fish), Canada, Chile, The Faroe Islands and Norway. Cod are bought from USA, Canada and Scandinavia. Dominick's said that the Norwegian cod earlier was the best with respect to quality, but that it is now difficult to get fresh cod fillets from Norway. Shrimp is bought from Mexico and from domestic producers.

The purchasing policy of the chain is that long-term connections with the supplier side is decisive, and emphasis is placed on building up stable relations with suppliers of seafood. Only verbal agreements are used in the purchases of fresh and frozen (unlabelled) seafood in Dominick's. The agreements cover certain quantities, prices and time frames.

4.4.2 CHICAGO FISH HOUSE

Chicago Fish House, established in 1930, operates as a distributor/wholesaler/retailer from their head office in the middle of Chicago. The company today has buildings with a total of 60,000 square feet, but this area will be doubled when a new cold storage and larger plant area now under construction is finished. The building has a cold storage, chill-/delicatessen department, cool storage for canned goods and groceries (dry goods), processing rooms and gourmet-/seafood retail outlet. The gourmet store sells fresh and frozen fish and shellfish, ready to eat delicatessen products, sauces, wines, cheese, spices etc. The processing areas, loading areas for trailers, cold (chill) rooms, frozen storage rooms and gourmet outlet have functional layouts

(in spite of hectic building activity in expanding the existing building.

Chicago Fish House is probably the largest or second (p.44) largest distributor of fish and shellfish products in USA and sells about 200 different species of fish. About 55% of the sale is fresh fish and ca 45% frozen products. Smaller quantities of canned seafood, smoked fish, seafood salads and live lobster are also sold. The sale of live lobster is increasing. All species imaginable are sold. Fresh fish, shellfish and cajun type seafood products sell especially well, while breaded products are less in demand. Chicago Fish House carries out secondary processing such as cutting and trimming (fillets, steaks), deboning and preparation of seafood salads etc. The percent shrinkage is low, according to the chief buyer. This because they have very skilled cutters and strict quality requirements for buying. Processing cuttings go to a company producing animal food. Chicago Fish House has a total of 150 employees. Of these 50 are employed in the sales department, and between 50 and 60 people work in processing with 2 shifts per day.

The company sells 75% of their products to food services (some restaurants) in and outside the Chicago area. Supermarket chains take the other 25%, mainly near Chicago. The seafood is shipped by air and by trailers around the US, and the company has 25 trailers of their own. Chicago Fish House stress quality as the most important competitive parameter. In the Chicago area, the company has big signs advertising their products, and there are also weekly product demonstrations at the gourmet outlet where chefs from local restaurants show the customer various methods to prepare the seafood. In the store there is also a large selection of recipe cards with suggestions for preparing seafood dishes. Chicago Fish House have marketing campaigns with price reductions at family holidays like Christmas , at Lent in February and in October ("October Fish Month").

Purchasing

James Hernandez (Seafood Buyer, Frozen Seafood) is responsible for purchasing frozen seafood products and some grocery products (canned, labelled products).

Chicago Fish House buys raw material from several (p.45) hundred suppliers to their warehouse in Chicago. Here the weights and quality of the products are controlled. The company buys mainly from domestic producers, but the company also buys directly from exporters abroad and importers in USA. The three largest suppliers account for about 10% of deliveries to the company. Until now, few Norwegian suppliers have sold to Chicago Fish House, and those only salmon and shrimp.

All agreements on purchases of seafood to Chicago Fish House are made verbally and include specific quantities, prices and time frames. The company believes in long term relationships between buyer and seller, but says that they are continually on the outlook for new suppliers due to the strong growth of the company. The company delivers to large buyers all aver the country, and gives the impression that it is the supply of seafood products of high quality, and not weak demand, that is the limiting factor of increased sales of seafood today.

4.5 CALIFORNIA; SAN FRANCISCO

The San Francisco Market Area has about 6.6 million people, and the population growth is high. "California Cuisine" use mainly fresh fish. Frozen fish does not have the same appeal in this region of USA. The San Francisco area has had strong growth in the number of restaurants, and the total number is over 8000. The number of local processors has dropped which has resulted in problems with satisfying the demand, especially for fresh seafood. However, the number of distributors has increased (Townes,1987), and a larger part of seafood products than before is transported to the area by air (actually up to 70% of weekly

sales). These include salmon from Norway, oysters from the US east coast and orange roughy from New Zealand.

Until 1987/88 the Safeway Stores had the decidedly largest market share of retailers in the area with as much as 38%. This picture has changed in that the chain has sold a number of their retail stores. Lucky Stores had in the same period a market share of 15.4% (Progressive Grocer, 1988).

4.5.1 SAFEWAY STORES, INC.

Safeway Stores Inc. today has 980 retail outlets spread all over the United States. This number was considerably higher a few years back. The Safeway supermarkets are chiefly located in urban and suburban areas. A total of 355 of the stores have serviced seafood counters, the remaining 600 or so stores only have self service counters (a part of the meat department). Full service fresh fish counters are normally from 12 to 32 feet in length (about 3.7-9.8 m) and the self service counters the same.

Fresh and frozen products each have about 50% of the sales (of a total of ca. 60 million lbs or over 27,000 t gross weight yearly).Shrimp comprises 25% of sales in quantity and 33% in weight. Shrimp and salmon products are sold through the seafood department and not through separate delicatessen departments. Canned seafood is sold through the grocery department. The chain also carries a broad selection of frozen prepared products (labelled products). Safeway carries on average 33 different fresh seafood products in each store. This number varies somewhat depending on the location of the stores, the region and seasons for the various species. Shrimp, salmon, halibut, farmed catfish, red snapper, shark, swordfish and Dungeness crabs are species that sell especially well in the San Francisco Area. Both large and small packs are in demand . Products that are not in great demand include special products like pickled herring, mackerel etc.

The customers at Safeway are a mixed group from all social

levels and vary with the location of each supermarket. Quality is stressed ahead of price when the chain advertises their products. safeway uses weekly ads in newspapers, radio and TV ads and magazine ads in their promotion program. Promotional campaigns are being held the year around, and the chain attempts to feature seafood products more frequently and not only at special times such as Lent. Promotions are instead held when there is a special good supply of certain products, and when prices are low.

Safeway has from two to ten employees attached to the seafood departments with full service. Supermarkets with self service counters usually have two employees in each store with responsibility for seafood.

Safeway Stores expected that sales for the year (p.47) 1988 will reach about 11 billion USD (ca. 74 billion Nkr). The chain sells about 60,000 lbs seafood per year (gross weight).

Purchasing

Jim Olson and Ed Hamilton (and others) have the responsibility for purchases of fish and shellfish products for the Safeway supermarkets in western USA. There are also head seafood buyers for seafood in other regional divisions of Safeway Stores. The buyers in each region determine which suppliers the chain should buy seafood from.

The stores in the chain get fresh deliveries from the chain's own warehouses and directly from domestic producers and importers. All frozen seafood goes through the Safeway distribution central. Safeway's supermarkets do not carry out any filleting of the fish; all is received pre cut. The stores will cut serving pieces for customers that request it. Safeway has their own laboratory that tests the quality of random samples of deliveries of meat- and seafood products. The chain checks that the weight is correct, that the right sizes were delivered, and that quality, color, taste, temperature etc. meet the chain's standards.

Safeway uses several hundred suppliers in total. None of these are main suppliers or dominate in any way. The chain has experience in buying Norwegian products such as salmon, cod fillets, haddock, salted and dried cod and lutefisk (dried fish (stockfish) treated with lye). Safeway otherwise buys seafood from around the world depending on seasons for desired items. The purchasing department for seafood claims that this factor contributes to a certain instability in the "stable" of suppliers; it changes often. All agreements regarding purchases are made verbally; the chain buys fresh and frozen seafood (unlabelled products) in the spot market and does not operate with long-term contracts on purchases of these products.

4.6 WASHINGTON; SEATTLE

The Seattle Market Area, which is the busiest trade and shipping center on the west coast next to San Francisco, has a population of over 3 million. The area has traditionally been characterized by a large activity within fishing and trade with seafood products. Safeway Stores (30.5% market share) and Associated Grocers Inc (33.6% market share) has the largest retail sales in this area (Progressive Grocer, 1988).

4.6.1 THRIFTWAY SUPERMARKETS

Thriftway has 29 supermarkets in the state of Washington, most of them located in downtown Seattle or in suburban areas in the Seattle/Tacoma area. The chain operates with two different supermarket concepts: Thriftway Stores which are high quality stores and Stock Market Stores which are warehouse outlets with low prices. A total of 13 of the stores have full service seafood counters, the remaining 16 have self service counters for seafood. Full service fresh fish counters vary in length from 16 to 24 feet, self service counters for fresh products are 8 feet (3 shelf heights) and the freezer cabinets for frozen convenience

foods are 4 feet (3 heights).

Seafood is sold through several departments in the chain: seafood-, meat-, delicatessen- and grocery departments. Thriftway carry a wide spectrum of fresh seafood products, at times over 70 different varieties. The selection of froze private label products and canned products is also good, and labels like "Gortons", "Mrs. Pauls", "Van De Kamp's", "Booth", Treasure Isle", "King Oscar", "Spirit of Norway" can be found in the stores. It is claimed that fresh shrimp, fresh fillets of all types and fresh salmon and halibut are best sellers. Seafrozen cod also sells well. Packs with small portions are most in demand. Special products like scampi and langusta are least in demand.

Thriftway Supermarkets has a good mixed customer base and attempts to influence the customers to increase their consumption of seafoods through continuous advertising in newspapers,handouts of circulars and ads in radio and TV. A combination of advertising in different media is considered to give best (p.49) customer response. However, quality is always stressed in the marketing of seafood in the chain. Marketing campaigns for selected seafood products are held the year around, and sales reach peaks around family holidays and religious holidays. Fresh seafood products sell best in season for the species in question.

All supermarkets with full service fish counters have 2 employees full time (plus some part time) to look after sales. Sales are about 50-50 % for fresh and frozen products on a yearly basis.

Purchasing

Cliff Fry has the responsibility for purchasing large quantities of seafood and fish products for special promotions.All decisions on purchases (such as choice of certain suppliers) are made by Mr. Fry in cooperation with a person in the seafood department of each supermarket.

The chain uses a stable of suppliers consisting of 7 distributors and brokers in the Seattle area. The stores in the chain receive direct shipments from the distributors each day. Associated Grocers of Seattle where Thriftway Supermarkets have ownership interests, is the principal supplier with a share of 35%. The chain does some processing in each store; chiefly smoking and cutting. Fillets are mostly purchased precut, but some trimming is done in the stores. Quality control is carried out by the chief buyer for seafood (in addition is the control done by federal officials).

The chain now buys Norwegian farmed salmon from Norwegian exporters. Earlier Norwegian exporters also supplied lutefisk (before Christmas) and shrimp. The largest quantity salmon is bought from Alaska (wild) and Canada. Cod is mainly bought from Canada and from the Seattle region and shrimp from Canada, USA and China. The chain has used written contracts in the purchase of large quantities of shrimp. Verbal agreements between buyer and seller are otherwise most common. The chain considers it very important to build up long-term connections on the supply side.

4.7 SUMMARY (p.50)

In this section we have described the selection of retail concerns that were subject to interviews. The description includes a characterization of the concerns and areas of activity together with a listing of purchasing routines and relationships with the supply side in the various companies.

Area of operation.

The geographical areas of activity for the chains that have been the subject of interviews are the northern and middle parts of the east coast, the Chicago area and the west coast. The chains have outlets in large cities like Washington, D.C., New York, Boston, Chicago, San Francisco and Seattle and in suburbs of these cities and in smaller cities in the states where the chains operate. There is therefore a customer base of several tens of millions in these areas of operation.

Sales, size of chains.

The retail chains in this study (with exception of Shaw's Supermarkets and Thriftway Stores) are among the largest in the USA with respect to yearly sales. Seafood comprises a relatively small part of the total sales in the chains today, but sales are increasing. The chains are concentrating on being able to offer a broad selection of fresh and frozen seafood products, preferably everything that customers ask for. Basic products such as fresh and frozen cod and similar species (gadoids), shrimp, salmon and shellfish sell well, but there is increasing demand also for non-traditional species such as orange roughy (from New Zealand), tropical fish species etc.

The chains expand the number of retail outlets with full service seafood counters. All stores have self service counters for both fresh and frozen products, but in several cases this is a (small) part of the meat counters in the supermarkets. In supermarkets with their own seafood departments there is to some

extent secondary processing of the fish.This processing generally consists of trimming, cutting, preparation of seafood salads etc.

Customer base and profile

Most supermarket chains have a mixed customer base consisting of consumers of all ages, all income categories and size of households. The customer base of the households varies with the location of the stores. Some retail outlets, as for example Giant Food's "Someplace Special" and A&P's "Futurestores" can be classified as high status stores with excellent facilities, products of excellent quality in good selection and relatively high product prices. The target group for these stores are customers with high incomes and that evaluate quality as a more important criteria than product price when making their purchases.

The supermarket chains claim that they normally emphasize quality ahead of price in marketing their products. Exceptions can be some of the stores in the chains that are classified as discount outlets. Examples are A&P's "Save A'Center" and Thriftway's "Stock Market Stores", and these advertise their low prices.

Promotional campaigns

The chains have promotions for seafood the year around. Large promotions are to a large extent held in connections with holidays (f.ex. 4th. of July), religious holidays (Christmas, Easter) and at Lent. Seafood is, in addition, marketed on a national basis in October which is declared to be "Fish and Seafood Month" in USA. Safeway Stores said that they have few large marketing campaigns for seafood in association with these holidays. This chain have most of their promotions in season for certain species.

Purchasing

Most supermarket chains have centralized buying through

their own purchasing offices for seafood (in some cases the same office as for meat). The orders are placed with the suppliers, the deliveries are received in the retailer's warehouse and distributed from here to the individual stores.

A&P and Dominick's Finer Foods utilize the (p.52) storage facilities of distributors in addition to their own. From the distributor's warehouse (cold storage), seafood is distributed to the chain's supermarket. Waldbaum's Foodmart does not have their own warehouses; the stores get their supplies directly from local distributors. The same applies to the supermarkets in the Thriftway Stores chain. Orders from each supermarket to the chain's distribution center are placed by telephone or over databased ordering systems.

With respect to quality assurance of products received by the chains, most have developed their own control systems with random sample inspection of seafood delivered. Shipments are controlled for weight, fish sizes, numbers, parasites (candling) and temperature. It is often the seafood buyer that carries out this inspection together with technical personnel. In addition there is also a federal inspection system in USA. Quality control of products received is probably safer and probably better in chains with their own distribution centers or warehouses where the seafood is received before being distributed to each supermarket.

Relationship with suppliers

Most of the concerns appear to have loose connections on the supply side. All agreements regarding purchases of fresh and frozen seafood are made verbally. The chains utilize relatively large pools of suppliers with both domestic and foreign suppliers. The suppliers are used according to demand or ability to supply what the buyer demands.

It is a relatively widespread opinion among buyers that it is desirable with more long-term connections with suppliers. This relationship must be based on trust, reliability and mutual

understanding. In spite of this statement, many supermarket chains will to a high degree substitute between suppliers. Many suppliers utilize a few suppliers on a continuing basis. These are often large suppliers that generally can deliver sufficient volumes of the desired fish species the year around. Smaller suppliers are in addition used on demand, and these are chosen mainly for their offers of certain products, the season for the species offered and prices offered.

Quality reputation and service offers towards the (p.53) buyers are also very important criteria when the supermarket chains choose suppliers of seafood. Meeting the wishes and demands of the buyer then becomes a key factor for suppliers wishing to deliver to the retail sector. This seems to apply especially to smaller suppliers. The large suppliers that can deliver what the chains want at any time, are not under the same pressure to always be at their beck and call. It appears as if large suppliers on the strength of their ability to satisfy the buyer's demands to deliveries of required quantities of high quality seafood products on a continuous basis, become such important partners for the buyers that they cannot easily be substituted.

In the following section we will take a closer look at the demands and wishes that American supermarket chains place on their suppliers.

5. RETAILERS DEMANDS ON SUPPLIERS OF SEAFOOD

In this section we will highlight demands and conditions placed on suppliers by the retail sector in USA. According to the classification of the buyers demands and wishes on the suppliers (Section 2.5), we will in this section look at the buyers demands for the right quality, right quantity, delivery at the right time, right price for the supplies and demands for service and distribution channel support. We will also look at the background for having these demands and how the retail trade sanction against suppliers that do not meet the specifications of the chain. The chain's routines for communicating any complaints from customers and the handling of such complaints will also be discussed.

The purchasing function in the retail trade has developed in the direction of becoming a very important link in the activities of the firm. Buyers are today considerably better educated than earlier, the get better compensation than earlier and have greater responsibilities in relation to earnings and losses (Huguet,1989). Suppliers that wish to do business with these buyers meet well informed people with analytical abilities and good understanding of supply and demand and other market forces regarding the products in question. A logical result is that the buyers become more profit oriented when they become more knowledgeable of cost- and earning factors in association with each product. This has consequences for the supplier that must respond to the new buyer profile and match their seller profile to that. This also means that commissions to middle men in the distribution chain for the producer's products must be more based on product earnings and less on a fixed commission on the sale of the product.

The buyers of seafood in American supermarket chains have made up their minds on the behavior of their suppliers. This also applies to Norwegian exporters. It is therefore important to find

out the demands that retail concerns really place on their suppliers in order to adjust to these in the future. An understanding also of the background for the demands is important in order to evaluate how reasonable these are.

5.1 DEMANDS ON PRODUCT QUALITY

When the head buyer in a retail concern is asked to give a definition of product quality with respect to seafood, different product characteristics are stressed. Freshness, taste and odor are the quality factors that are first listed. Chemical additives in fresh seafood products is considered a negative factor, and some chains do not buy any seafood with chemical additives (f.ex. Giant Food claims that all their fresh seafood products are free of chemicals). Artificial coloring of Norwegian farmed salmon through addition to the feed is claimed to have a negative effect on product quality compared to natural red coloring in the flesh of wild Pacific salmon (King salmon/chinook) (This was especially stressed at Safeway Stores). It is very important that the quality is consistent and variations are not accepted. The exporter must be able to supply the quality the customer was given the first time he dealt with this exporter.

With respect to the shelf life of fresh fish, most supermarket chains in this study require that the products could be sold from a counter for 4-6 days for fillets and up to 10-12 days for fresh salmon. They prefer that the product is sold by this time, but the chains require such long shelf life to guard against getting fish that is not strictly fresh. There is a variation between supermarket chains with respect to when "fresh" seafood is no longer salable as fresh. Giant Food removes the fish when it has been in the counter for 4 days. This fish is discarded. It is claimed that it is a problem for the chains that they get fish that can be for sale a maximum of 2-3 days.

Packaging and control of temperature in shipments of seafood is of great importance for the quality of fresh seafood products.

Fresh fish is shipped in isopor cartons or in wooden boxes. The cartons must have sufficient ice and the fish must be kept cool during transport to the chain warehouse to prevent temperature rise and quality deterioration. Safeway Stores requires that the temperature in the fish (fresh fish) not exceed 32° F or 0°C at arrival. Most chains demand that the cartons for fresh fish be leak proof. The reason for this is that many of the chains have dry stores at the distribution centers.

A large part of the shipments of fresh seafood is (p.56) repacked at the distribution centers of the chains. There are, however, different requirements with respect to size and weight of the cartons. Most receive cartons with a content of 10-25 lbs fish or about 4.5-11.4 kg. the chain would like a greater variation in package sizes and weight in each carton to meet the different requirements of the various stores. Heading of salmon from Norway is a wish from several of the chains. The reason given is that the heads are not used in the retail trade in contrast with the restaurant sector , and expensive air freight from Norway means an unnecessary cost increase in the product. Some chains (f.ex. Safeway Stores) said that frozen farmed salmon from Norway was interesting since shipping by boat is cheaper than by air. The price of the product can then be lowered somewhat and the temperature control through the distribution chain simplified. Many of the chains expressed a desire for simpler marking of Norwegian airborne cartons (especially in the shipment of fresh salmon) so that identification of the processor or farm is easier than today.

The requirements for packaging/packaging materials of private label seafood products or dry/canned goods are different from fresh fish. These products are delivered in consumer packs, and large variations in packaging sizes and product types are required to satisfy customer demand. The demand for accurate weight in lbs and English text on the packaging is universal. The chains also demand that the packaging has printed information on the nutritional content in the product and lists the ingredients.

There are regulations from the Food and Drug Administration (FDA) on what this information should contain. Most products in this category is equipped with the Universal Product Code for optic detection. It is therefore not required to have price information on packages delivered from the processor; this will be added later. Retailers consider it to be an advantage to have recipes or preparation hints with the product. The same applies to keeping time of the product.

Packaging in the food product section is in rapid development internationally, and packaging is expected to be of great importance for the total value of the product. Creativity and development of new packaging forms is used as a competitive factor for the product. That the customer can see the (p.57) product content through the packaging material is of importance in the presentation of the product in the stores. A high visual quality is required for the product presented in this type packaging. Another factor in connection with packaging is that it is important to develop packaging types that are easy to handle, requires little storage space , and is developed with thought of the buyers standards for pallets and containers.

The different demands of products and product quality by the buyers are in agreement with the consumers demands and wishes when they buy fresh seafood. Quality and price, in that order, are the individual characteristics of most importance to the consumer when buying seafood. The quality conception includes the customers evaluation of odor, taste and appearance of the product. Without exception, these three factors are considered to be especially important, and fresh seafood products should preferably not have any marked odor or flavor. Dominick's Finer Foods was the only supermarket chain that felt that consumers evaluate product price as the most important factor in the purchase of seafood products (ahead of product quality). In the purchase of high priced products it was assumed by the customer that the quality was on top. Other factors judged as very important are fish species, product form, type of cut (fillet,

steak), flesh color (salmon) and consumers own preferences. The factors such as availability of the product, catching and processing methods (f.ex. frozen at sea) and country of origin were less important except in gourmet stores where country is important.

5.2 DEMANDS ON CORRECT QUANTITY

Several of the supermarket chains interviewed claimed that Norwegian suppliers give priority to European markets, for example in periods with shortages of Norwegian farmed salmon, and send fish to buyers in USA after the European demand has been met. The buyers in the US market thereby get a feeling of being second rank customers which could result in a weakening of the relationship of trust between customer and supplier.

The supermarket chains have clear quantity demands (p.58) and - wishes of their suppliers. For deliveries of 20 lbs cartons with fresh fish the lowest acceptable net weight is 20 lbs. If there is a fluid loss, the supplier must weigh in overweight so that the net weight in the carton is 20 lbs. The weight labelling must be precise and quantities delivered equal to the quantity ordered by the chain.

American supermarket chains operate with an average shrinkage of 10% on supplies of fresh fish, but several of the chains subject to interviews operated with shrinkages down to 5% for fresh fish and somewhat higher for frozen fish. The loss in the purchase of frozen fish is chiefly due to drip losses after thawing. Shrinkage of fresh fish comes from loss of moisture, trimming and to a minor degree deliveries of poor quality. The shrinkage in fresh seafood is claimed to be somewhat higher than for fresh meat. The shrinkage in the purchase of pre-cut fresh fish is of course lower than in the purchase of whole fish.

Satisfaction with the supplier is often evaluated, together with other factors, from his ability to deliver quantities of certain products when the customer wants it. Size, volume

capacity and offers of a broad spectrum of species and products thereby becomes important for the supplier.

5.3 DEMANDS ON DELIVERIES ON TIME

The head buyers in the supermarket chains consider the suppliers ability to deliver at the right time to be very important when evaluating each supplier. It is especially important that the products are delivered at the agreed time due to planning of marketing promotions and discounts. If unforeseen difficulties occur (poor weather, lower landings than expected, etc), the buyer wants information on what went wrong as soon as possible. It is claimed that Norwegians are not very good at informing the buyers in USA if something goes wrong and the reasons for this.

The buyers understand that something unforeseen can (p.59) occur, but require an explanation when this occurs.However, the same buyers have less understanding of why they cannot get farmed salmon in right time. The producers have here to a large extent control over the availability of the product, processing and quantities to be slaughtered. To strive for being able to deliver the desired quantities and product variants continuously throughout the year is considered to be a very important task for the supplier.

It has been claimed to be a problem in norway that the exporting companies lack support staff, and that the operation often depends on one or few people. When these are travelling, several buyers feel that it is difficult to make a deal with norwegian export companies. However, Giant Food claims that family operated export companies are especially good trading partners when comparing different Norwegian exporters. The reason given is that the employees often has a stronger bond to, or feel a greater responsibility towards the company than those hired on usual terms and have no other connection to the company.

5.4 DELIVERIES AT THE RIGHT PRICE

Product price, together with deliveries of the right quantity, quality, timing of the deliveries etc. is a very important sales point in the marketing of seafood products. The American retail trade is to a high degree based on the principle that the consumers primarily are motivated through the product price. In the marketing of fresh seafood products there are few opportunities for warehousing, and this makes it difficult to match the supply to the demand at all times. Excess supplies in certain periods of the year or excess demand in others, results in price fluctuations and changes in the competitive climate. Also size variations in the fish (like salmon) and currency fluctuations in other countries will reflect in the market price for seafood products.

The chief buyers in American supermarket chains require that Norwegian suppliers sell seafood products at a price that is competitive compared with other countries. A high negotiating strength on the retail side, especially in times with (p.60) liberal supplies of Norwegian products or substitute products, means that supermarket buyers can press prices down when negotiating with their suppliers. In the marketing of fresh seafood products, there is extensive substitution in times of the year with low supplies of certain species. Buyers in the retail trade will bring in similar species, seafood from other countries or products with the same status as the original product at these times.

Price conflicts can arise because supplier and retailer share the total value generated in the sale of a product to the consumers. The retailer can on his end to a certain extent control their gross margins, since the margins can be increased by either increasing the sales price or by getting discounts from the supplier/processor side. The retail level has, however, a built in resistance against pressing the retail price up since there is already strong price competition on the retail level.

The strategy then becomes that the retailer demand more concessions from the supplier to generate more profits for his own company.

The prices that suppliers charge the supermarket chains must be low enough for the chains to make an acceptable profit on the products. American supermarket chains operate with various gross margins for different types of seafood products. Some of the chains were very reluctant to give out information on their margins. Grand Union said that they operate with gross margins of 33-35% for seafood products (both fresh and frozen). Dominick's Finer Foods require on average gross margins of minimum 40% for fresh fish products, somewhat higher for frozen products and 30% for shrimp in order for the products to be of any interest. Safeway Stores claims to operate with average gross margins of 25-35% for both fresh and frozen seafood products, and in some cases the margins are as low as 10%. Thriftway Stores had a gross margin of 31.5% when last calculated. The average gross margin for the whole country is said to be 25.3% on fresh seafood products and 29% for frozen according to the Food Marketing Institute.

Wage costs are higher for purchases of whole fish than for fillets and steaks and higher profit margins therefore (p.61) required. The same applies to gross margins for sale from full service counters (ave. 28%) compared with self service counters (ave. 25%). When comparing wage costs in the supermarket chains for sales of respectively fresh fish and fresh meat, the costs are higher for fresh fish. This is in part due to the fact that fresh meat to a greater extent than fresh fish is delivered pre-cut and packaged from the supplier. Gross margins must therefore be higher for fresh fish than for meat products. Meat products have a faster turnover than seafood products, and the margins can therefore be lower.

The profit margins are said to be higher for frozen fish than for fresh, and higher for meat and poultry than for seafood (Shaw's Supermarkets).

5.5 DEMANDS FOR SERVICE AND MARKETING SUPPORT

American supermarket chains have improved their negotiating strength with suppliers in recent years. The reason for this is for example increased competition for shelf space in the stores since an increasing number of new products are being introduced each year (see also Hanssen, 1988). The increase in the number of private label products offered to the retail sector is often a strategy from producers to compensate for decreasing opportunities for product differentiation. One reason for this is the increased spread of market information amongst the various participants in the distribution chain. The introduction of optical scanners is an important advance in the retail trade. The scanner contains a light source that illuminates and automatically identifies each product with a so-called universal product code (UPC), which means that management quickly is informed on the sales volume of a product. A product that is a slow seller can therefore quickly be removed from the display counters or shelves.

The fight for space on the shelves between producers (p.62) of food products has contributed to a number of special service offers from competing producers and suppliers. Supermarket chains also use special evaluation criteria (like for example services offered) when evaluating suppliers. The demands placed on the suppliers by the retailers, and how these can be met, therefore have a decisive effect on the concerns wishing to supply this industry.

The buyers that were interviewed in this study felt that the suppliers should offer services when buyers had a requirement for service.Norwegian suppliers in particular should be come better to have more frequent contact with their customers in the US market. Information exchange of a more informal character is also considered to be a valuable element when buyer and supplier is to build up a business connection based on trust, reliability and stability.

The retail trade demands participation in their marketing activities and promotions. Most of the supermarket chains subject to interviews claimed that the suppliers must participate in special offers for selected products and reduce the prices of their products in the promotional campaign period. Financial support for marketing of seafood products are to a large extent given as price reductions from the supplier, and to a lesser degree as economic contributions to the retailer (this applies to the sale of fresh and frozen, unlabelled seafood products).

In the introduction of new seafood products in the supermarket chains, the buyers demand that the suppliers offer free samples of the product and that the suppliers reduce the product price in the introductory period. Larger participation from Norwegian exporters at promotions for Norwegian seafood was requested by several supermarket chains (Giant Food, A&P, Waldbaum's and Dominick's). It was suggested that such participation take the form of lower prices during the campaign.

Informing consumers (through brochures) about Norwegian products and on storage and preparation of the products were claimed to be effective aids to make Norwegian products known.

Norwegian exporters/suppliers should, according to (p.63) the seafood buyers in the supermarket chains, emphasize comparative advantages in marketing their products. It should be stressed that the seafood is caught in clean, cold waters and is carefully handled to give a product of high quality. It should also be stressed that farmed fish live on a strict diet composed of nutritious components in a balanced mixture. This factor has a positive effect on the quality. Seafood products without any chemicals added should be presented as chemical free products as stressed especially by the chains Dominick's and Giant Food.

With respect to demands for technical support in connection with marketing campaigns, these are chiefly tied to guarantees for a specific quantity at a certain quality of the product that the chain advertises throughout the year. Most of the chains demand or request that suppliers should participate with product

development within the seafood sector (the exceptions are Safeway Stores and Thriftway Stores that do not demand or wish assistance for product development). Demands for product development are often initiated by customers asking for new product variations or have ideas regarding new product variations. The ideas are also generated by the sales- or purchasing side of the chains and are transmitted via the suppliers to the processors.

Only one of the chains (A&P) requested assistance in the dhoice of products and storage of products. However, many chains claim that the suppliers offer such services, especially when the supplier is a large distributing company with their own, good storage facilities. It is considered to be an advantage that suppliers inform on new developments on the product side and give exact information on prices, availability, product specifications etc. That the supplier can supply most of the products the chain has a demand for (wide product spectrum), is considered to be an advantage by the buyers.

The seafood buyers do not consider offers of credit periods and payment conditions from the supplier as especially important when they evaluate different suppliers. This is probably due to the fact that their own accounting department looks after these matters and are of no concern to the buyers. A flexible response from the suppliers is considered important.

It was said to be important that suppliers can supply (p.64) the desired products when the chain has a demand for them. Seafood buyers in Giant Food also would like to see more Norwegian seafood flown to more cities than the case is today.

The country of origin of the seafood products is said not to be an important evaluation criteria for the buyers. The exceptions here are supplies from countries with poor quality reputations which can be due to pollution, poor handling of raw material, poor temperature control, etc. (clams from Long Island, N.Y. were said to be less attractive to consumers than clams from cleaner areas). However, in the gourmet departments it was claimed that country of origin has a relatively great importance

fo consumers. This was stressed especially by the Giant Food chain. Poor knowledge of the country of origin of products could be the reason customers do not ask where they come from. Customers shopping in the gourmet departments possibly have more knowledge of country of origin since this factor has a certain importance here (f.ex. wine and cheese from France, etc.)

That the supplier can be trusted and keeps what he promises is also an unqualified requirement of the seafood buyers. Reliability of the supplier is said to be a very important evaluation criteria for the buyers and that Norwegians should take this more seriously than many of the exporters are doing today. Knowledge of the solidity of the supplier company is also of interest .

Evaluation of the suppliers is said to be a continuous process in the supermarket chain. Satisfaction with the suppliers is evaluated each day , also from the criteria mentioned in this section. The supermarket chains have one effective sanction against suppliers that do not meet their requirements:
The supply arrangement can be ended and a new supplier for the same product contacted!

The chains have several views on which links in the distribution chain that has most control. Safeway Stores and Shaw's Supermarkets claim that the retailers have most control since these display and sell the products and have the greatest opportunity to affect the consumers (who has the power to reject the product). Other chains feel that the processors have most control over the availability, quality and shape of the product, and that the retailers activities depend on that they get (p.65) the desired deliveries from the processors or distributors. It is thereby the processors/suppliers that has most power in the distribution chain (claimed by Grand Union, A&P, Waldbaum's et al)

5.6 CUSTOMERS COMPLAINTS AND SUPERMARKET RESPONSE

All supermarket chains subject to interviews are very sensitive to any complaints and claims from customers and take these very seriously. Some chains have established systems for communicating complaints from customers to management and have developed procedures for handling complaints. Giant Food answer all letters of complaint from customers and sends copies of such letters to managers at all levels in the concern. In some cases the management meets the customer that had complained to clear up the situation and to reestablish a good relationship with the customer. Shaw's Supermarket and Grand Union transmit all complaints from customers to the suppliers of the product. A&P has a suggestion box in the stores where customers can place any complaints, suggestions and messages to management. Each communication from customers will be handled seriously and all letters answered. Waldbaum's Foodmart has the philosophy that customers do not have to explain what the reason for the dissatisfaction with the product is ("No questions asked"). The chain asks no questions, but takes the purchase back and reimburses the customer. Dominick's Finer Foods and Thriftway Stores replies to all complaints by letter or telephone calls to the customer. Safeway gives the money back to the customer if they are not satisfied with the product.

It can be seen that the supermarket chains without exception take complaints from customers very seriously. The buyers therefore expects that their suppliers shall deal with complaints from their customers, the supermarkets, just as seriously. Complaints, requests and suggestions for changes and improvements from the retail sector must be met as much as possible if retailers are to be satisfied with their suppliers.

From what we know up to now about the retail trade in USA and from the wishes and demands transmitted to us in the interviews, we will develop suggestions for alternative improvements and measures with the objective of increasing

Norwegian exports to this sector in the future (Sect.6.3).

6. SALE OF NORWEGIAN PRODUCTS IN AMERICAN RETAIL STORES

6.1 INTRODUCTION

The sale of seafood through retail outlets in USA is growing. This growth is due to an increasing acceptance for fish and shellfish products by American consumers. Seafood products are related to health, a healthy lifestyle, healthy diet and ethnic and experimental cooking. An increase in population in cities and regions with good access to seafood products contribute to a growth in consumption. The same applies to lifestyle changes in the population: more women at work and more one person households has contributed to increased consumption of ready-to-cook dinners, also those based on seafood.

Norwegian suppliers to the retail trade in USA must, however, be prepared for competition from other nations that offer the same seafood products as Norway. Several of the supermarket chains participating in this study claim that Canada is expected to be a strong competitor over the next three years. This applies especially to fresh seafood products. The reason for this is mainly the location of the country, but a considerable improvement in the quality of Canadian products is also of decisive importance.

Canned seafood from Norway (canned sprats) meet strong price competition from the sardine industries in Portugal, Canada and Maine,USA. Also countries like Yugoslavia, Poland and Thailand operate in the market with inexpensive products. The Norwegian industry stresses quality, health aspects and flavor in promoting Norwegian Brisling Sardines.

With respect to salmon products, it is said that the competition from Chile is still not serious. The country has had problems with disease, algae etc. and has not been able to deliver the quantities forecast.There has also been product inconsistencies registered both with respect to quality and price. Chile is primarily farming Cohoe salmon, but some farms

also rear Atlantic salmon. The Cohoe salmon is relatively cheap to farm, but they spawn only once and die after spawning. Slaughter is therefore carried out intensively before the spawning period in the December to March period, and it is in this period that Chile comes into the market with large quantities. Today Norway has competition from Scotland, Ireland, The Faroe Islands and Canada (British Columbia). Norwegian (p.67) suppliers of farmed salmon must in addition compete with wild salmon from Alaska in the fishing season for these species.

The American food industry is active in product development and regularly markets new finished products based on seafood. This has led to increased competition for space on supermarket shelves and freezing cabinets, and the introduction of new products has become more resource demanding. Suppliers have had their negotiating strength weakened towards the retailers, and this has led to increasing demands for participation in the retailer's marketing activities and distribution channel support activities and also for broader services from the supplier.

Increased negotiating power on the retail level is also due to the fact that the retail buyers today are considerably better educated than before, they receive higher compensation than earlier and have greater responsibilities in connection with earnings and losses (Huguet, 1989). Suppliers that wish to trade with these buyers meet well informed people with analytical abilities and a good understanding of supply and demand and other market factors for the products in question. Increased negotiating power on the buyer side means that greater demands than before are placed on suppliers that wish to sell their products through this market segment. In other words: Considerable effort is needed from the suppliers,a will to as far as possible meet the buyer's demands and wishes and also large resources on the marketing side.

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6.2 MEETING THE DEMANDS BY THE NORWEGIAN SIDE

To be supplier of seafood for the American retail trade, it is of decisive importance that Norwegian processors/exporters are able to meet the requirements this industry places on their suppliers. The chains expressed to a large extent similar demands and wishes with respect to supplies of fish and shellfish products: Deliveries od top quality, the right quantity at competitive prices, and demands and wishes for channel support and participation in marketing activities. For Norwegian suppliers it is important to maintain supplies of products of consistent high quality at competitive prices on a year around basis. The right quality means, as mentioned in Sect. 5, freshness, flavor, odor, appearance and shelf life of the products. In addition,temperature (close control in the (p.68) whole distribution chain) and packaging (marking/information, identification, leak free, weight and the number of product units in each carton, variation of package sizes) are important aspects of the quality.

Norwegian suppliers should strive to produce quality products that meet the quality criteria that American retail buyers set. Packages should be easy to handle, require little storage space and be adapted to the buyer's standard for pallets and containers.

Continuity of supplies is important, and supermarket chains set strict requirements to punctuality of supplies with respect to time and the right quantity due to planning for marketing campaigns for selected products. If it is the case that American buyers are considered as "second rate" customers that will get supplies when more important markets (European markets) have been supplied, this impression must be corrected immediately. Here it is important to supply information on the supply situation in Norway, and to use sufficient resources to give a convincing and good explanation why the quantity ordered in USA did not arrive or was reduced.

Service and channel support activities emerge as important evaluation criteria for the retail trade. Norwegian export companies must keep what they promise their buyers and not make agreements for deliveries if they are in doubt that they can meet the delivery schedule. In cases where agreements are made without the supplier can guarantee the deliveries with 100% certainty, this should be pointed out to the buyer. The same applies if the supplier must cut back on the quantity ordered. It is important not to be tempted to deliver to more or less casual customers that are willing to pay more at that time.

The large potential market that the American retail sector represents can over the long term be a much more important customer contact for Norwegian supplier.

Several of the seafood buyers in the retail sector have the wrong idea about the profit margins for farmed salmon by processors and exporters. Many estimate the profit level of farmers and exporters to be higher than what the supplier tells them. As a result of insufficient information in this area,(p.69) such arguments are used to press the price of Norwegian farmed products down. It is here important to explain the real production- and distribution costs to the buyers.

6.3 SUGGESTIONS FOR MEASURES FROM THE NORWEGIAN SIDE

An entrance or consolidation of position in the American retail trade require extensive use of resources by the suppliers. Norwegian processors and exporters must in the first instance take a position to which products that are most topical for marketing through this segment. Today's trend with a high demand for fresh products should be exploited to a higher degree than being the case today, and opportunities for increased sales of fresh products (such as farmed salmon) should be evaluated and seriously concentrated on. Fresh seafood products must be adapted to the criteria of the retail trade with respect to product quality. Norwegian producers and exporters of seafood should pay

more attention to the development of new product variants. It is here important to develop packaging types that are adapted to buyer's standards for pallets, containers, storage/warehouse routines etc.

The effect of cooperation between several participants

Effort should also be placed on new concepts for the production and sale of the products, and an evaluation of the organization of the sale from Norway should be made. Some supermarket chains (f.ex. Shaw's Supermarkets) would like to have a wider variation in the product spectrum from suppliers that they buy from. Greater product variation can be realized through cooperation between several Norwegian producers and exporters of seafood.

Larger organizations resulting from several producers and exporters joining forces can give a broad spectrum of (p.70) fields of competence in one organization . A flexible production apparatus, competence within production and product development, technology, economics, languages, marketing, distribution and international trade contribute to make a cooperative organization like this an effective organization with much better negotiating power towards the buyers than a single exporter would have.

Cooperation between several producers and exporters is an effective measure also with respect to being able to service large orders from buyers in the American retail trade. Cooperation in production and sale can contribute to stable and continuous supplies, in that peaks in the production of each partner come at different times and can contribute to being able to meet larger contracts on a year around basis. Several cooperating producers can also be complementary suppliers on a yearly basis by utilizing seasons for the species each producer supplies. Norway is still the leading nation supplying Atlantic salmon. This could be exploited in connection with regulating the supply of salmon to the American seafood market.

Cooperative organizations that possess a flexible production

apparatus,has competence in product development and can offer a broad spectrum of product variants, have opportunities to move away from being pure raw material suppliers to the export markets. Development of product variants that are especially adapted to supply and demand in certain markets (for example simple processing like filleting, steaking, portion packing), means that Norwegian supply companies (cooperative organizations) can differentiate themselves from their competitors. This situation can also contribute to supply companies establishing label loyalties in the market, which again means that customers ask for a certain product and will not easily substitute a competing product. Label loyalties can be related to special product properties as for example high quality ("King Oscar", "Spirit of Norway", "Frionor Norway Gourmet") or a good service from the supplier. The goal of this strategy is lower sensitivity to the price of the product.

As a preliminary conclusion to the above-mentioned theme, new concepts for the sale of Norwegian seafood products in the American market, the organization of the participants (processors, exporters, sales link) can be drawn in as a very important factor. Cooperation between the participants at the same level in the distribution chain (horizontal cooperation), and cooperation between participants at different levels (p.71) in the distribution chain (vertical cooperation) are two methods to solve this problem (also see Hansen, 1987).

In the future long term delivery programs for Norwegian seafood should be strived for since the retail sector potentially represents very large scale sales opportunities. How these programs should be organized and carried out, should, however, be discussed further in view of the contract forms Norwegian suppliers wish and the retailers will agree to. The alternatives are written, formally binding contracts that could be re-negotiated in the contract period, or informal agreements based on trust between the negotiating parties.

It can seem to be difficult today to arrange formal delivery

contracts with the retail trade. This is because the retail trade traditionally has operated with loose ties to suppliers of seafood and substitution between and substitution between suppliers according to demand for certain seafood species and the supplier's ability to meet the wishes of the buyer. However, the buyers say that it would be advantageous to build up long term connections with the supply side.

Knowledge and information

Norwegian suppliers should seek to acquire a thorough knowledge of the consumption pattern for seafood in USA, and adapt the supply of Norwegian fish and shellfish throughout the year to fluctuations in consumption of different species and products of seafood. A strategy where the supply is not in agreement with the consumption pattern or the demand , for example export of huge quantities of salmon in a limited period of the year and little export the rest of the year, results in large swings in volume supplies and prices for the product.

The sale of Norwegian seafood products through the retail trade requires a thorough knowledge of the structure in this sector, of different marketing channels in this segment (special stores, gourmet stores, supermarkets etc.), which seafood products that are sold through the retail sector, who the distributors are, how it is distributed and not the least, how our competitors (other nations, other sectors such as the meat- and chicken industry) work with the retail trade.

Choice of distribution channel (p.72)

The choice of a distribution channel affects the ability to communicate with the buyers in the market. Such communication bring out information about the demands and wishes of the buyers, and the communication will be stronger the fewer links the distribution chain has from producer to end user. When the distribution chain has very many intermediate links, only the

strongest market signals will penetrate, and the time it will take before the information reaches the producer will be long. Often too long for the producer to be able to react in time to important signals from the market.

The choice of a distribution system is of decisive importance for the ability to deliver fresh seafood products. A very rapid distribution form, together with suitable packaging, is necessary to take completely fresh seafood products to the customers. It is important for Norwegian suppliers to American retailers to build up stable connections with customers. These can be agreements with distributors that deliver to the retail trade, agreements with retail brokers (brokers that supply the retail trade) or direct sales to American retail chains. Another alternative can be to buy into a distribution link in the market to get control of the product as far as possible in the distribution chain. A "best" distribution system in the US market will, however, require closer studies of different alternatives.

Market influence and channel support activities

Market influence and channel support activities should be directed towards, or be visible to important decision makers in the distribution chain. The buyers in supermarket chains are here the most important target group for such activities. Since the retail trade concentrate on highly educated buyers with good industry knowledge, it must be assumed that this buyer group has an interest in keeping their knowledge of the seafood market updated at any time. To be able to sell larger quantities of Norwegian seafood products than today through the retail trade in USA, it is important to contribute to the supermarket's knowledge of the products and ability to handle the products (applies especially to fresh seafood products), take care of quality etc.

The buyers in the retail trade should, through (p.73) information material and influence from Norway, acquire a good knowledge of the Norwegian fishing industry and Norwegian seafood products. This could be production - and harvesting methods

(fishing, on board production, aquaculture), waters being fished, processing methods, approval criteria for processing plants, marketing domestically and abroad, industry organization, regulations, food inspection, quality standards etc. Norwegian suppliers should stress where the fish lived and were caught when marketing their products: wild caught fish come from cold, clean waters in the north. Farmed fish are reared under controlled conditions and fed a controlled diet contributing to ensuring products of high quality and correct nutrient content.

Other logical target groups for information on the Norwegian fishing industry and -products are writers and reporters in trade journals and in special food magazines. This group can contribute more to the information reaching a wider public than specific, goal directed campaigns. Influencing people in industry organizations like the North Atlantic Seafood Association (NASA), National Fish and Seafood Promotional Council (NFSPC), Food Marketing Institute (FMI) and the National Fisheries Institute (NFI) is also important. The reason is that such organizations carry out information activities for increased consumption of seafood and also marketing activities, and have a large target group for their activities.

Which form the market influencing should take should be evaluated from demand, costs and effects. Advertisements in trade publications that address the retail grocery trade directly (see list of selected trade publications in Appendix 2) or in gourmet magazines is an alternative. Participation in fairs and use of radio , TV and newspaper advertising are others. Representatives for purchasing management in large grocery chains should receive special attention, and direct contact through letters, telephone and visits , in addition to product presentations and information material, are important elements in this connection.

Educating sales personnel and consumers (p.74)

It is also important to train employees in seafood

departments in supermarkets so they are best possible suited to sell the product. Such training must have as objective to create interest for the product and increase the person's knowledge of the product (handling, preparation ,etc.)

It is assumed that the greatest sales potential for Norwegian seafood products in the future will be in distribution through the retail trade. It is therefore important that private consumers are subject to market influence. Education of the consumers through information activities such as handing out recipes, tips for preparation, nutritional information, brochures and product demonstrations where Norwegian raw materials are used, is one way suppliers can have their products more widely accepted. A study carried out for "National Fish and Seafood Promotional Council" last year showed that one of the most effective ways to introduce new products of fish and seafood is through handing out samples in supermarkets and in finer restaurants (U.S.D.C.,1988).

Which chain profiles should we concentrate on

If Norwegian suppliers decide to concentrate their efforts on entry or increased sales of Norwegian seafood products in American retail outlets, they must decide on which geographical areas and chain profiles to concentrate on. Special efforts should be made in geographical areas characterized by growth in the sale of groceries and especially seafood. In the period 1981-85, the most rapid growth in sales was registered in the north eastern region of the United states (12.9%), and the lowest growth in the midwest.

The ten largest individual markets in USA represent about 22% of total grocery sales in the country. These markets include Los Angeles/Long Beach and the San Francisco/Oakland areas in California, New York City, Chicago, Philadelphia, Detroit, the Boston area, the area around Washington, D.C., Houston and the Dallas/Forth Worth area (Mason and Mayer, 1987).

Norwegian seafood products should to the greatest possible

extent be given a quality reputation in the American market. In this connection it can be smart to concentrate on so-called upscale supermarkets or high quality stores that emphasise quality ahead of price. Such stores are most often located in relatively affluent residential areas or downtown in large cities.

The experience the stores have with sales of seafood and expressed attitude to quality and price , in addition to their attitude to having firm connections to the supply side should also be considered in this case. A last factor that is important when a decision is to be taken, is an evaluation of the competitive situation in certain geographical regions and in certain segments within the retail sector.

7. CONCLUSION (P.76)

The retail sector in the American food market is a very interesting market segment since it today has more stable and higher margins than other consumer segments. Several sources claim that future growth will occur in this distribution channel which today only accounts for about one third of the total sales of seafood products in USA. The retail trade is also less affected by business cycles than f.ex. the restaurant sector. In poor economic climates people eat less out in restaurants, and would rather buy food for preparation at home.

The competition for space in the seafood counters at the supermarkets is hard , and the introduction of new products on the retail level therefore require considerable resources. The suppliers of seafood products (especially frozen finished dishes) must have at their disposal considerable economic and competitive resources to be able to enter the retail trade. In order for Norwegian suppliers to be able to secure a position in the retail segment of the USA food market, the processors/exporters should include the following important elements in their idea base- and

try to satisfy these as much as possible:

* Quality
* Ability to deliver
* Trust
* Reliability
* Flexibility
* Service
* Product spectrum
* Effectivity

The above elements are rated in the same order as here in a study where the exporters themselves evaluated the importance of factors in their own opinion (see Olsen, 1988a). Quality was in two of three cases judged to be the most important element. There is in other words an understanding that it is very important to maintain a high stable quality of seafood products exported from Norway. The products must be adapted and satisfy the buyer's and consumer's wishes and demands, and complaints should not occur. The Norwegian industry should on a joint basis work to increase the status of Norwegian seafood products in the American market (see suggestion for measures in Sect.6), work to (p.77) widen the product spectrum , and to achieve a reputation in the market as secure sources for supplies of fish and shellfish products. Efforts should be made to sign long - term supply programs where certain quantities, qualities, prices, time frames and support activities are agreed to and included in the contract. Relations on the supplier side based on trust and reliability are in the retail trade considered to be very important criteria in the choice of suppliers. Norwegian suppliers should therefore seek to achieve a reputation like this in the USA market.

7.1 RELEVANT KNOWLEDGE AND INFORMATION

Continuous and systematic market monitoring and collection

of marketing information is necessary to be able to predict changes in the seafood market, and thereby ability to adapt to such changes. Information on several areas is necessary. For example, Norwegian suppliers should seek to attain knowledge on the consumption pattern for seafood in the US and adjust the supply of Norwegian products over the year to fluctuations in the consumption of different species/products of seafood. A strategy where the supply is not in accordance with the consumption pattern or demand, for example exports of enormous quantities of salmon in a limited period of the year, and too little exports the rest of the year results in large fluctuations in volume supplies and price for the product.

The supply situation in the market also fluctuates during the year. This is reflected clearly in the competitive situation in the market; something Norwegian exporters clearly experience in the fishing season for wild Pacific salmon. In this period (the summer) there are several retail concerns that exclusively buy Pacific salmon and stop all purchases of farmed salmon from Norway.

Sources for relevant and updated information on the distribution of seafood in the American retail trade will only be briefly mentioned here. In Section 3.2 we have described different participants in the distribution of seafood in the US market. To each link in the distribution chain belong several secondary organizations that have as objective to maintain the interest of participants in that link. Some of these secondary organizations carry out marketing and distribution research on their own, and can therefore be interesting information sources for Norwegian companies for Norwegian companies that wish information in more depth about the various distribution (p.78) links. In Appendix 2 there is a listing of selected organizations and institutions within the distribution and sales of seafood that could contribute important information on request. Several of the key informants gave the advice to use distributors as sources of information, both with respect to information on

retail - and restaurant concerns. This because they have experience in trading with the concerns and therefore know their requirements, demands and wishes and behavior and practice.

Useful experiences and knowledge can also be gleaned from other sectors of the food industry that claim to be ahead of the seafood industry with respect to marketing, product- and technology development. The growth of the chicken industry in USA can here serve as an example for the seafood industry. Chicken was considered as a luxury product in the 1930's and 40's. Yearly consumption per person was very low, about 0.3 kg per capita in 1935. However, large advances were made in the areas of disease prevention and control, production, development of new feeds and development in the areas of distribution and management in the industry. Chicken gradually become an inexpensive product (a commodity product), and consumption increased considerably towards 1960 when yearly consumption was ca. 12 kg per person (Poultry & Egg Export Council, 1987).

The following years there was a stagnation in the demand for chicken. About 1970 consumption increased again as a result of active marketing towards the consumer market and focus on the market instead of, as before, on production. The industry introduce labelled products, changed from iced products to packaged products, paid more attention to product- and process development and concentrated their own research on systems for ensuring quality. The concentration on effective production and process development led to a considerable reduction in costs compared to other food production. The organization in the chicken industry was changed in the direction of vertical integration. The result was that chicken was redefined from being a cheap commodity to a consumer product. Consumption has in recent years increased steadily and was in 1987 over 29 kg per person per year.

The traditionally meat industry in USA has responded to these developments with counter measures and resulting increased competition for the customer's food dollars. Considerable

resources are being spent , and considerable work underway on exploding the myth of the less favorable nutrient composition of meat. This could affect the future seafood consumption of (P.79) seafood in USA. See Olsen (1988 b) for a further description of structural changes in the food product market in USA.

7.2 IDEAS FOR FURTHER STUDIES

We have so far concentrated our research on distribution through the retail trade, and chiefly on the last link in the distribution chain (purchase of seafood in supermarket chains). It is later important to get a thorough knowledge of other participants in the distribution chain such as other retail segments like gourmet- and specialty stores, and on the middlemen ahead of the retailers: retail brokers, distributors and wholesalers in particular. Norwegian exporters of seafood have expressed a clear desire to gain more knowledge of different forms of distribution in the American seafood market , in order to be able to adapt to customer's requirements, expectations and demands (Olsen, 1988a).

The restaurant- and institutional sectors are important customers of norwegian seafood in the US. The distribution is a small extent direct, but is chiefly channeled through middlemen on earlier levels in the distribution channel. This is also valid for the distribution to the retail sector. Wholesalers, brokers and importers are today the largest direct receivers of Norwegian seafood in USA (Olsen, op.cit.).Questions can be asked if in the future it will be better for Norwegian exporters to concentrate on direct exports to the last link in the distribution chain, or if it would be better to deliver to middlemen like brokers and distributors. Another alternative is to establish their own sales organization in the market. An analysis, where the distribution through different buyers is compared to each other, is important to get an overview over advantages and disadvantages of alternate distribution forms in the American seafood market.

For Norwegian suppliers to the American retail trade it is important to build up stable connections with buyers in the market. This can be agreements with distributors that deliver to the retail trade, agreements with retail brokers or direct sales to American retail chains. Another alternative can be to buy into the next distribution level to get control over the product as far into the distribution chain as possible. A "best" distribution system in the US market will, however, (p.80) require closer studies of various alternatives.

It is here important to survey the evaluation criteria used by the management of the purchasing department when they carry out their choice of suppliers and seafood products, and which demands they place on service and market support. When Norwegian suppliers have a knowledge of these demands, they can to a larger extent work towards the goal of adapting to the buyer's wishes.

It is also important to study the possibilities of supplying new product variants and products from several fish species than the case is today. To a large extent, bulk shipments are today made from Norway to the American market, and to a small extent finished products and semi-processed products. Large Norwegian concerns like Frionor, today offer a large and varied product spectrum in both fresh and frozen seafood products. The company sells , together with some others like Norway Foods, their products as private label products in the market. Most Norwegian suppliers to the US market are, however, relatively small companies that have specialized on salmon- or trout products or shrimp and shellfish.

Another area that it is important to get to know for Norwegian suppliers is how our competitors work with customers in the American seafood market. It is also important to identify to identify and evaluate the competitors' strong and weak sides.

Valuable knowledge can be gleaned from the experiences of other competitor nations (Iceland, Denmark, Canada), concerns, companies and organizations (National Sea Products, Alaska Seafood Marketing Institute, British Columbia Seafood Exporter's

Association et al) and sectors (f.ex. the chicken and meat industries) have had in this market.

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APPENDIX 1: (p.85)

List of concerns subject to interviews in the primary study (retail sales of seafood);

1. WASHINGTON DC OG MARYLAND

Giant Food, Inc.
Kontaktpersoner: Bruce Steinberg (Senior Buyer Seafood) og
John Hoppenjans (Seafood Buyer)
Adr: P.O.Box 1804, Dep.825,
6300 Sheriff Road, Landover, MD 20785
Tlf:(301)341-4100, evt. (301)341-3156

2. MASSACHUSETTS (BOSTON OG NEW BEDFORD)

Shaw's Supermarkets
Kontaktperson: Martin Kahaiyan (Meat Buyer)
Adr: 140 Laurel Street, East Bridgewater, MA 02333
Tlf: (617)378-7211

3. NEW YORK, NEW JERSEY OG CONNECTICUT

A & P, Inc.
Kontaktperson: Thomas Fellacaro (Metro Group, Seafood Sales)
Adr.: 35 Brunswick Avenue, Edison, NJ 08817
Tlf: 201-985-3100

The Grand Union Co.,
Kontaktperson: Wayne Brett (Seafood Buyer)
Adr: 201 Willowbrook Blvd., Wayne, NJ 07470-0966
Tlf: 201-890-6000

Waldbaum's Foodmart
Kontaktperson: James L. Wallace (Seafood Supervisor)
Adr: Westport, CT
Tlf: (203)229-5995
Adr hovedkontor: 227 South Street, Holyoke, MA 01040
Tlf: (413)536-8000 (hovedkontoret)

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4. CHICAGO

Dominick's Finer Foods
Kontaktperson: Joseph M. Munao (Meat/Seafood Buyer)
Adr: 555 N.Northwest Avenue, Northlake, IL 60164
Tlf: (312)379-5200

Chicago Fish House
Kontaktperson: Jim Hernandez (Seafood Buyer, Frozen)
Adr: 1250 West Division Street, Chicago, IL 60622
Tlf: (312)227-7000

5. SAN FRANCISCO

Safeway Stores
Kontaktpersoner: Jim Olson (Seafood Dept.), Ed Hamilton (Seafood Buyer)
Adr: 201 4th Street, Oakland, CA 94660
Tlf: 415-891-3000

6. SEATTLE

Thriftway Stores
Kontaktperson: Cliff Fry (Seafood Buyer)
Adr.: 2301 So.Jackson, Seattle, WA 98144
Tlf: (206)851-6231 (Seafood Dept.)

APPENDIX 2:

Sources of information for current and potential suppliers of seafood to the American retail trade:

1. SELECTED INDUSTRY- AND TRADE PUBLICATIONS
(fishing industry, seafood, sales)

Chain Store Age - Executive:	Retail Trade, chain profiles.
Frozen Food Age:	Frozen Foods, marketing, distribution
Journal of Retailing:	Trade periodical, distribution, retail trade, research results
National Food Review:	Food products
Prepared Foods:	Prepared products, processes, processing equipment, marketing reports
Progressive Grocer:	Retail trade, grocery sales company profiles
Quick Frozen Foods International:	Frozen foods
Restaurant Business:	Restaurants, company profiles
Restaurants & Institutions:	Trade journal for the restaurant and institutional sectors.
Retail Update:	Retail trade.
Seafood America:	Seafood
Seafood Business:	Distribution, marketing reports, forecasts, imports, production, etc.
Seafood Leader:	Product and marketing information transport/distribution,packaging
Stores:	Retail trade, profiles
Supermarket Advertising Newsletter:	Advertising, promotional activities.
Supermarket News:	Retail trade, company profiles.

2. FOOD AND SEAFOOD SHOWS

Boston Seafood Show

Sea Fare

New York Gourmet Show

3. INDUSTRY ORGANIZATIONS

Food Marketing Institute (FMI): is a non-profit organization with about 1500 members from the retail trade and food marketing sector. American members of FMI are responsible for over half the total sales of groceries in the USA. FMI has an annual meeting where members and others meet to discuss current topics in the industry. In addition to the meeting, workshops, various seminars and exhibitions are held. FMI also sponsors conferences where seafood is the main theme. The institute issues a number of publications and industry studies on their own and has a research library in Washington, D.C.

National Fisheries Institute (NFI): Member organization of boat owners, processors, distributors, wholesalers, importers and exporters in the American fishing industry. NFI disseminates information on the American fishing industry; the institute has published reports with demographic profiles, on seafood in USA, etc. NFI has their Annual meeting in April/May each year.

National Fish and Seafood Promotional Council (NFSPC): The organization has as objective to inform about seafood and through joint measures and market influence contribute to increased consumption of seafood in USA.

National Food Broker Association(NFBA): An organization of

brokers within the distribution of food products in USA. NFBA has a library with industry publications and periodicals, carries out training and research for their own account, holds seminars and workshops, gives scholarships etc.

North American Seafood Association (NASA): NASA has as objective to increase American's knowledge of seafood, especially seafood from the North Atlantic. NASA is for example working to increase sales of, and stabilize the price of Norwegian frozen fish in the American market. The organization receives support from Canada, Iceland< Norway and Denmark.
There are a number of other industry organizations in fisheries in USA. A more thorough listing of these can be found in "Encyclopedia of Associations" (N.N., 1988 b).

4. NORWEGIAN COMPANIES AND ORGANIZATIONS AS INFORMANTS.

Exporters in Norway: Norwegian exporters that sell into the American market can be useful informants in questions of marketing conditions. Experience with, and knowledge of customers, distribution routes etc. is important information for new suppliers to this market. However, it is not without problems to use such informers due to the competitive element.. If such information exchange is to take place, the exporters should perhaps be ready to cooperate and the relationship between them based on mutual usefulness.

Norwegian companies with representation in USA: Norway Foods/King Oscar, Frionor, Nordic Group etc. These companies operate in the US seafood market and have first hand knowledge of the situation at any time. The companies often have a knowledge of which customers it is safe to sell to with respect to getting paid for the products, product handling (quality reputation of the customer) and the customer's promotion of the product etc.

For further information on some Norwegian companies that operate in the United States, see Hanssen (1989).

The Norwegian Export Council (the Norwegian student envoy who reports to exporters on the situation in the American seafood market).

The Marketing Council for Farmed Fish has an office in new York. Marketing work on the US market is coordinated from here, and the office transmits information to Norway on the market situation for salmon in USA.

5. INFORMATION FROM GOVERNMENT AUTHORITIES IN USA:

Department of Commerce/Bureau of the Census: Issues yearly fisheries statistics with information on American landings, imports, exports, consumption of seafood per capita, employment in the fishing industry etc. Also publishes reports like "Monthly Retail Trade" (retail trade, sales, storage holdings, etc.) "Monthly Wholesale Trade" (wholesale sales information) and others.

NMFS/NOAA: National Marine Fisheries Service (NMFS) publishes "Fishery Market News Report" with information on market conditions, prices, storage holdings, imports etc. based on statistics from regional NMFS offices in USA (New England, Middle Atlantic, Chesapeake, South Atlantic, Gulf, Southwest, Northwest and Alaska). Issues in addition the publication series NMFS Journals and NOAA Technical Reports.